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94th Congress
2d Session

COMMITTEE PRINT

ASSESSING THE NEW POLITICAL TRENDS
Dublin: 1976

REPORT

ON THE

NINTH MEETING OF MEMBERS OF CONGRESS AND OF THE EUROPEAN PARLIAMENT

APRIL 21–23, 1976

PURSUANT TO

H. Res. 1062

AUTHORIZING THE COMMITTEE ON INTERNATIONAL RELATIONS TO CONDUCT THOROUGH STUDIES AND INVESTIGATIONS OF ALL MATTERS COMING WITHIN THE JURISDICTION OF THE COMMITTEE

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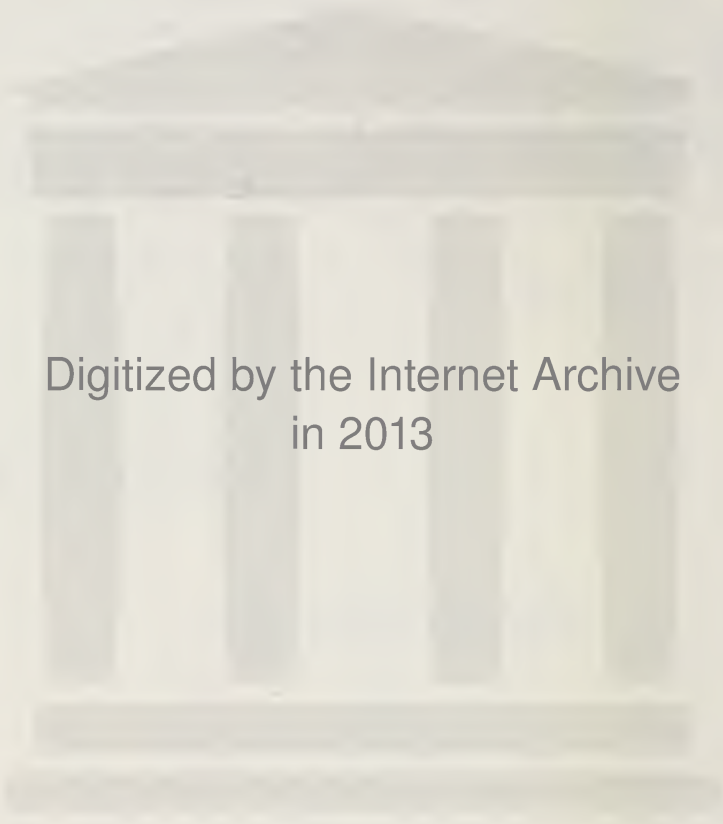
FOREWORD

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., June 22, 1976.

This report has been submitted to the Committee on International Relations by the members of the committee who participated in the meetings in Dublin, with an official delegation of the European Parliament on April 21–23, 1976.

The findings in this report are those of the committee members who participated in the meetings and do not necessarily reflect the views of the membership of the full Committee on International Relations.

THOMAS E. MORGAN, *Chairman.*



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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, D.C., June 22, 1976.

Hon. THOMAS E. MORGAN,
Chairman, Committee on International Relations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: We are submitting for consideration by the Committee on International Relations a report on the meetings held in Dublin on April 21–23, 1976, by members of the committee, and other Members of the House with an official delegation of the European Parliament.

We hope that the report will be useful to the committee in its consideration of legislation relating to U.S. relations with Europe.

DONALD M. FRASER,
BENJAMIN S. ROSENTHAL.

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[1] The American participants began their program in Brussels at the headquarters of the European Community. They also had official programs in Stockholm and in Rome following the Dublin meetings. Programs for these other cities appear on p. 85.

PREFACE

This ninth meeting of the delegations of the House of Representatives and of the European Parliament was, in the judgment of the participants, the most successful to date. Partly this was due to the well-balanced and well-prepared delegations on both sides and partly to the good blend of experienced members and those participating for the first time.

The American delegation of 15 members was the largest ever to participate in one of these programs; it was composed of five members of our committee, an equal number from the Committee on Ways and Means with the remaining five from three other House committees. This combination brought a wide range of interests and experience to the provocative papers and presentations made by both delegations.

Our practice of meeting in different countries of the European Community's nine members has been extremely useful for both the American and the European participants. The exceptional graciousness of our Irish hosts helped both delegations to gain an excellent understanding of both the diversity and character of Ireland and of that country's strong commitment to a united Europe.

The important decisions which the European Community will soon make on direct elections to the European Parliament may mark the start of a new and more vital stage of development for this assembly. Direct elections, now tentatively scheduled for May 1978, will also stimulate the growth of European political parties with broad implications both within and without the Parliament. We feel fortunate in having developed a close and fruitful working relationship with our parliamentary colleagues in Europe as they take these steps toward unification which may be the most important political development in this entire century.

DONALD M. FRASER.
BENJAMIN S. ROSENTHAL.

PROGRAM [1]

Wednesday, April 21, 1976

Morning—Arrivals of the Delegation of the European Parliament.
12:30—Arrival of U.S. Delegation by special plane from Brussels and transfer to Shelbourne Hotel.
Lunch free.
14:00—Departure by bus from hotels for Dublin Castle, George's Hall.
14:30—Official welcome by Dr. Conor Cruise O Brien, Minister for Posts and Telegraphs, representing the Irish Government, and the Presidents of the Houses of the Oireachtas (Irish Parliament).
14:45—*Session I* (George's Hall):
Question and answer period (1 hour). Each Delegation answering questions submitted in advance by the other delegation.
15:45—Coffee break in the Bermingham Tower Room.
16:00–17:30—*Session II*—Development of East-West Relations:
"Is Détente Dead?"
(Papers by Mr. Johnson and Mr. Karth.)
"The European Scene in the Year After Helsinki."
(Paper by Mr. Jahn.)
18:30–19:30—Cocktails offered by Hon. Walter J. P. Curley, U.S. Ambassador to Ireland, at U.S. Embassy.
20:15—"Céili" Evening and Dinner offered by the European Parliament Delegation at the Royal Hibernian Hotel.

Thursday, April 22, 1976

09:30—*Session III*—(Dublin Castle, George's Hall):
Discussion of a Working Document on a Draft Code of Principles on Multinational Enterprises and Governments.
(Joint presentation by Messrs. Lange and Gibbons.)
(Comments presented by Congressman Archer.)
11:30—Coffee Break.
11:45—Departure for excursion by coaches in the scenic Dublin Mountains.
(Lunch en route at Lamb Doyles, Sandyford.)
Members of the two Delegations proceed by coach to Aras an Uachtarain, Phoenix Park, the residence of the President of Ireland.
16:00—Parliamentary Delegations to be received by the President of Ireland, Mr. Cearbhaill O Dalaigh.
Return to Dublin Castle.

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[1] See p. 85 for study mission programs for Brussels, Stockholm, and Rome.

16:30–18:30—*Session IV.*
Continuation of discussion of East-West relations.
Political Aspects of the World Food Situation.
"U.S.-U.S.S.R. Grain Transactions."
(Paper by Mr. Nolan.)
"Political Aspects of the World Food Situation."
(Paper prepared by Mr. Symms and presented by Mr. Nolan.)
"E.C. Perspectives on Agricultural Exports."
(Paper by Mr. Houdet.)
20:00—Buffet reception given by the Irish Government in Iveagh House (Ministry of Foreign Affairs).

FRIDAY, APRIL 23, 1976

09:30—*Session V*—(Dublin Castle, George's Hall):
United States and European Views on Mediterranean Problems.
"U.S. Interests in the Mediterranean: Military Bases and Political Developments."
(Paper by Mr. Ryan.)
"Future Roles of Greece, Portugal and Spain in an Integrated Europe."
(Paper by Mr. Normanton.)
10:45—Coffee Break.
11:00—*Session IV.*
Summary discussion.
12:00—Press Conference.
12:30—Farewell Lunch offered by the European Parliament Delegation, in Shelbourne Hotel.
15:00—Departure of the U.S. Delegation.

PARTICIPANTS

Members of the European Parliament

Pierre-Bernard Cousté, Chairman, European Progressive Democrat, France.
Gérard Bordu, Communist, France.
Achille Corona, Socialist, Italy.
Peter Corterier, Socialist, Federal Republic of Germany.
Maurice Faure, Socialist, France.
Aart Geurtsen, Liberal, Netherlands.
Roger Houdet, Liberal, France.
Norbert Hougardy, Liberal, Belgium.
Hans Edgar Jahn, Christian Democrat, Federal Republic of Germany.
Liam Kavanagh, Socialist, Ireland.
Jan de Koning, Christian Democrat, Netherlands.
Erwin Lange, Socialist, Federal Republic of Germany.
Brian Lenihan, European Progressive Democrat, Ireland.
Charles McDonald, Christian Democrat, Ireland.
Tom Normanton, European Conservative, United Kingdom.
Ferruccio Pisoni, Christian Democrat, Italy.
John Prescott, Socialist, United Kingdom.
James Scott-Hopkins, European Conservative, United Kingdom.
Mario Vetrone, Christian Democrat, Italy.

Secretariat of the Delegation

Karlheinz Neunreither, Director, Responsible for the Secretariat of the Delegation, German.
Theo Junker, Principal Administrator, Secretary of the Delegation, French.
Liz Foreman, Principal Secretary, British.

SPECIAL ADVISORS

Michael Palmer, Director, British.
Francis Roy, Director, French.
Axel Stahlschmidt, Head of Division, German.
Gerard Van den Berge, Head of Division, Dutch.
Boudewijn Van der Gaag, Principal Administrator, Dutch.

PRESS AND PUBLIC RELATIONS

John McGowan-Smyth, Director, Irish.
Joseph A. Fahy, Head of Dublin Information Office, European Parliament.

PROTOCOL AND ADMINISTRATION

Dermot McKeever, Principal Administrator, Irish.

INTERPRETERS

Ursula Padberg, German.
Giovanna Bittenburg, Italian.
Liselotte Dressel, German.
David Farley, English.
Olga Grinszpun, French.
Susan Guest, English.
Jean-Carlo Macario, Italian.
N. Tonietti, French.

Members of Congress

INTERNATIONAL RELATIONS COMMITTEE

Benjamin S. Rosenthal, Democrat, New York, Co-chairman.
Donald M. Fraser, Democrat, Minnesota, Co-chairman.
Leo J. Ryan, Democrat, California.
Stephen J. Solarz, Democrat, New York.
Gus Yatron, Democrat, Pennsylvania.

AGRICULTURE

James Johnson, Republican, Colorado.
Richard M. Nolan, Democrat, Minnesota.

BANKING AND CURRENCY

J. William Stanton, Republican, Ohio.

JUDICIARY

Herman Badillo, Democrat, New York.
William L. Hungate, Democrat, Missouri.

WAYS AND MEANS

Bill Archer, Republican, Texas.
Sam Gibbons, Democrat, Florida.
Joseph E. Karth, Democrat, Minnesota.
James G. Martin, Republican, North Carolina.
Guy Vander Jagt, Republican, Michigan.

STAFF—INTERNATIONAL RELATIONS COMMITTEE

Robert B. Boettcher, Consultant.
Clifford P. Hackett, Consultant.
Donald R. Fortier, Minority Consultant.
Jeanne M. Salvia, Staff Assistant

Wednesday, April 21, 1976, Morning

SUMMARY OF DISCUSSION

Session I—Question and Answer Period

Questions from the European Parliament Delegation:

U.S. TRADE ACT AND PROTECTIONISM

1. Within the Community there is a perceptible growing anxiety about the initiatives taken in the United States to restrict the import of a certain number of products from the European Community. The legal basis for these initiatives is to be found in the new Trade Act of 1974.

In toto, the value of $4.5 billion of export products from the Community is at stake. The most important of these products, which the United States Government has been investigating, are cars (representing in itself the value of $2.5 billion), rolled steel, speciality steels and shoes.

Are the Congressmen aware that between one-fifth and a quarter of the Community exports to the United States are covered by different actions of a protectionist origin at various procedural stages under the Trade Act of 1974, and do they not think that this represents a danger which can provoke a snowball effect within the trade relations between the United States and the Community in particular, and on a world level in general?

Mr. Gibbons replied that the United States is not looking for a trade war and, in fact, favours a steady reduction of barriers. After the U.S. International Trade Commission made adverse findings on imports of shoes and speciality steel from the European Community, the President chose to use trade adjustment assistance rather than trade restrictions. He voiced disagreement with the ITC on European speciality steel but stated some concern that in the case of rolled and carbon steel, the European Community's value-added tax rebate amounted to a substantial export subsidiary. This matter was now in the U.S. courts since the President made no findings of an export subsidy.

STABILIZED EXCHANGE RATES

2. What contribution could the United States make to the stabilisation of exchange rates in order to avoid, in particular, the risk of a series of competitive devaluations?

Would the United States be prepared, in this regard, to take steps to put an end to the lack of symmetry which characterises the present situation in regard to intervention on exchange markets and which places the burden of these operations almost exclusively on European countries? Would the Americans be prepared, for example, to intervene by accepting debts in foreign currencies?

Mr. Stanton replied that most of the U.S. Delegation agreed with the U.S. Government's support of the present system of floating exchange rates. He explained that although the Executive Branch consulted with concerned Members of Congress on International Monetary Policy that Congress' role is mainly that of oversight and review.

AMERICAN POLICY ON ANGOLA

3. Secretary of State Kissinger has stated that: "The United States will not accept further Cuban military interventions abroad". He has referred to the Soviet-backed Cuban operations in Angola as an "unacceptable precedent", and he has also stated that: "We cannot permit the Soviet Union or its surrogates to become the world's policeman". What do the Congressmen consider should be done to prevent Soviet and Cuban intervention elsewhere in Africa? How do they consider that the USA and Western Europe should insist that the Cubans evacuate Angola?

Mr. Vander Jagt noted that Secretary Kissinger had made very strong statements on these matters and urged that the European Community should join with the U.S. in protesting armed intervention. Mr. Martin identifying himself as part of the "hard-line minority" insisted that moral persuasion was ineffective and that the U.S. should provide arms to all who were willing to resist Communist aggression.

Mr. Ryan declared that the three to one vote in the House of Representatives against U.S. assistance to anti-Communist factions in Angola expresses the desire of the American people to select carefully the places where the United States will intervene. Although the vote rejected intervention in Angola it does not necessarily mean rejection of U.S. intervention in other situations should they develop. In such situations the positions and actions of European allies would be very important to the U.S. position and actions.

DEMOCRACY AND U.S. FOREIGN POLICY

4. Do members of the American Delegation consider that a very large part of the prestige and even of the strength of U.S. foreign policy has been, traditionally, based on democratic principles, and do they believe that this should also continue to be the case today and in the future? What are their reactions concerning U.S. foreign policy, in recent years, concerning the countries surrounding the Mediterranean basin?

Mr. Fraser criticised U.S. failure to speak out and take action in support of democratic governments. If Secretary Kissinger wanted to advise France and Italy against Communist participation in their governments, that was a quite separate matter from speaking out in support of democratic governments and did nothing to remedy the poor U.S. record on that point.

Mr. Bordu (France) insisted that if France and Italy wanted democratic change then that change must not be denied if the democratic process were to be maintained. He said that the Communists, who would soon participate in the French and Italian governments, had not

challenged any existing alliances. In view of Secretary Kissinger's complimentary statements regarding Social Democrats, he asked whether or not there was some kind of anti-Communist alliance between the U.S. and European Social Democrats. Mr. Fraser replied there is no reason to believe any such alliance existed, but that Americans were concerned as to whether the recent changes in French Communist Party doctrine were changes of expediency or not. He noted that democratic freedoms had disappeared in countries where the Communist party was in control. Although the U.S. had criticized the French Communist Party it should be noted also that Moscow had criticized the French Communists.

CHANGE THROUGH FREE ELECTIONS

Mr. Corona (Italy) said that if the French and Italians wanted change they had the right to make changes through free elections. Mr. Faure (France) declared that the shared concept of liberty was the most important tie binding the Atlantic alliance together. The non-Communist left in France wanted freedom and if the Communists were to break the commitment to freedom then the coalition of Communist and non-Communist left forces would collapse since liberty must be the foundation of the Atlantic alliance.

Mr. Corterier (Germany) observed that the Communist Party made its greatest gains in countries where the governments had not made enough social reforms. In West Germany, social reform had made Communist advances impossible. Mr. Pisoni (Italy) said that although the U.S. should judge whether or not a government was an acceptable ally, it might be counter productive for the U.S. to voice alarm at this early stage—in fact such statements of alarm could actually serve the purpose of the forces that the U.S. opposed.

Questions from the American Delegation:

DEVELOPMENT AID POLICIES

1. Does the Community believe that a closer coordination of U.S. and EEC development aid policies is possible, and, if so, by which mechanisms?

Mr. Kavanagh (Ireland) recommended that at a future meeting a full session be devoted to this subject. The European Community would consider it useful to cooperate more closely with the U.S. on development aid policies. The European Community and the USA should elaborate common guidelines particularly in regard to raw materials, energy, industrialization, and trade and aid for the poorest countries. It is regrettable that the goal of 0.7 percent of GNP for development aid was still not achieved and that most industrialized countries were well below that mark. U.S.–E.C. coordination at the Seventh Special Session of the U.N. General Assembly was reasonably productive but there was no question that coordination should be made more effective. The U.S. and E.C. should set up groups of experts for this purpose at the Paris Conference and the UNCTAD Conference in Nairobi.

U.S. COMPLAINT ON TRADE

2. While the Members of the U.S. Delegation are sensitive to the fears of Europeans about a new round of protectionism, it is difficult for some U.S. Members to work against restrictive tendencies, especially when the Community, in the agricultural field, seems itself to set a bad example. To illustrate, why did the Community promulgate regulations effective on 1 April, which will severely damage American oilseed producers, by requiring that all animal feed be mixed with 5 percent nonfat milk which the Community has in surplus. This means that there will be a 5 percent reduction in U.S. oilseed exports. Even though this regulation is effective for only seven months, does it not violate GATT, and is it not a bad example to U.S. interests also seeking protection?

Mr. Vetrone (Italy) explained that the European Community was faced with the problem of reducing a one million two hundred ton surplus of skim milk powder. The objective was to reduce the stockpile not to restrict imports of American soybeans. In order to reduce the surplus, the European Community has required that animal feed produced in the EC must contain a 2 percent volume, not 5 percent of skim milk powder. The reduction of the stockpile, so the European Community hoped, would have a less negative effect on U.S. soybean sales than the imposition of levies.

Mr. Normanton (United Kingdom) raised the question of the Concorde supersonic airliner and suggested that the U.S. attitude toward purchasing the plane represented a non-tariff barrier to trade. Mr. Ryan replied that in his Congressional District, which included the San Francisco International Airport, people had an intense feeling against the significant increase in noise level that they anticipated if the Concorde were allowed to land.

Mr. Badillo added that the American Congressional resistance to the Concorde was not against trade with Europe since Congress several years ago rejected government support for manufacturing an SST in the U.S.

GOVERNMENT ROLE IN INDUSTRY

3. The pattern in Europe is for a generally higher government role in ownership and management of basic industries than true of the United States. Does this factor not restrict the ability and the desire of European governments to regulate MNEs, for example, and in general to deal evenhandedly with other countries on restrictive trade practices when government owned industries are involved?

Mr. Corterier (Germany) reported that the record showed that government ownership and management of basic industries was actually decreasing in the European Community. It now stood at about 8 percent of industrial production.

Wednesday, April 21, 1976, Afternoon

SUMMARY OF DISCUSSION

Session II—Development of East-West Relations

(Working Documents: Mr. Jahn, Mr. Johnson and Mr. Karth) [1]

Mr. Johnson and Mr. Karth from the U.S. Congress introduced their papers "Is Détente Dead?" and Mr. Jahn (Germany) from the European Parliament introduced his paper "The European Scene in the Year After Helsinki".

Responding to the three papers on détente, Mr. Bordu (France) said that the changes now underway in the world were irreversable. The concept of the cold war is outdated for the present stage of world history. The arms race is a negative factor for solution of the problems of world peace and a diversion from social reform. The opposition of the two systems of government is an obstacle to the fulfillment of human needs and must be remedied by those who governed. The world needed détente now because of great new demands on the world economy and the democratic thrust in the world based on interdependence. The problem of interdependence must be dealt with because integration had not yet proven itself to be possible.

ROLE OF FRENCH COMMUNISTS

French Communists would defend freedom in the same way whether they were addressing Moscow or West Germany, for example. Helsinki showed amazing success by reaching agreement among a large number of very different countries. The ensuing policy of governments did not directly reflect the agreements signed but French Communists strongly favoured full implementation of the Helsinki Agreements. Peaceful coexistence was essential; if the balance of power was a determinant of peaceful coexistence, then balance of power policies must strive to avoid the use of force.

Mr. Fraser saw little merit in discussion of the overall term "détente" as such, since each of the specific acts taken together by the U.S. and the USSR should be considered sperarately.

Mr. Corterier (West Germany) observed that in Germany, there has been only minimal concentration on "détente" as a term. Aside from the nuclear area, the process called détente seemed to mean efforts to resolve certain specific problems in Europe, like Berlin. In order to continue the process, an equilibrium between East and West must be maintained. The equilibrium was now jeopardized by a variety of crises in the West, not necessarily caused by the Soviet Union—such as economic problems, Portugal, the Greece-Turkey conflict, and lack of

[1] See pp. 9, 16, and 19, respectively.

Western European unity. To continue détente, Western institutions must be strengthened. Since the USSR clearly wished to avoid a nuclear war, it was premature to conclude that it was reverting to cold war policies: the progress of MBFR would be an important indicator in this regard.

U.S. COMMITMENTS CLEAR

Mr. Solarz stated there was no alternative to seeking to avoid nuclear war. Some believed that Angola revealed the weakness of détente, and that the USSR took advantage of situations where the U.S. avoided involvement. But, he emphasized, the U.S. must be careful not to just "jump in" and intervene everywhere. Vietnam showed that such conduct was not always vital to U.S. interests, but in the current foreign policy debate in the United States, it was clear that the American people were firmly committed to defend democratic nations in Western Europe, the Middle East and Japan.

Regarding suspicions of a trend towards isolationism in the U.S., he reported that the House of Representatives had recently authorized more money for defense than the President had requested, and had also rejected a proposal to reduce troop levels overseas. He characterized NATO's viability as supremely important to the U.S. and cited two threats it faced: (1) possible Communist participation in the French and Italian governments and (2) the comparatively unfavourable balance of conventional forces in Central Europe. On the former, he was pessimistic about American ability to prevent Communist participation and regarded as unproductive the flow of alarmed pronouncements by President Ford and Secretary Kissinger. On the latter point, he stressed the need for NATO to increase its conventional capacity so as to raise the nuclear threshold.

STRENGTH OF WEST VITAL

Agreeing with Mr. Solarz, Mr. Scott-Hopkins (United Kingdom) said the USSR remained fully dedicated to overthrowing the West by whatever means possible. Détente could be meaningful only if negotiated from a position of comparative strength. Although the nuclear balance was favourable, the situation with conventional forces was not satisfactory. He urged a worldwide U.S. commitment because the Soviet Union would take advantage of any potential weak spot in the world. He had reservations concerning MBFR since there could be no reliable way of monitoring Warsaw Pact promises to cut back forces.

Mr. Prescott (United Kingdom) stressed the importance of détente as a basis for hope that the division of Europe would not be permanent. He rejected the notion that NATO was a democratic shield; rather it was simply a military alliance with purely military objectives and as such an unsuitable instrument for relaxation of tensions. Expressing interest in the efforts of the U.S. Congress to gain more control over foreign policy, he said it could be a constructive development if Congress fully recognized the reality of the inter-dependence in the world, particularly between the two superpowers and between the industrialized and developing nations.

COMMUNISM MIGHT CHANGE

Mr. Corona (Italy) said that Western perceptions of the Communist world were not always accurate, and that changes were underway which might prove beneficial to the world: the Communist world was so divided that China could not be regarded as enhancing Soviet power; détente, too, had brought some favourable changes. But Communist parties could not transform themselves overnight. In the meantime, provocations by the U.S. could only make the situation worse, as had been the case in the past. The Communist world would not be likely to change in a positive direction if it felt encircled and constantly threatened. The Italian Communists had said repeatedly that they would not seek Italian withdrawal from NATO; we had to take their word for it. If they were to win in Italy, they would win democratically.

Mr. Hungate said in regard to the French and Italian Communists that the results of free elections must be accepted, but that the American government could also properly say in advance whether or not a particular result of an election in a foreign country would be viewed as favourable to U.S. interests.

GROWING SOVIET STRENGTH

Mr. Jahn (Germany) said détente could be regarded as good only if it had real substance based on facts; in the highly precarious military situation in Central Europe, the psychological or philosophical value of détente could not be very important. He applauded the U.S. Congress for increasing defense spending, and described the growing conventional military threat across the border from his district in West Germany.

Disagreeing with a point made by Mr. Solarz, he insisted that Angola had great strategic importance to the Soviet Union as a base area. He said reports from Eastern European refugees had convinced him that in order for the East to liberalize, the West had to remain tenacious for the time being.

Mr. Martin expressed the opinion that the United States was moving toward a consensus view that if no balanced reduction of forces and armaments were achieved, then a conventional war would break out, which would be very disadvantageous to the West.

PAPERS

THE EUROPEAN SCENE IN THE YEAR AFTER HELSINKI

Paper by Hans Edgar Jahn

I. Introduction

1. First of all Congressman Johnson and Congressman Karth are to be warmly thanked for preparing two stimulating papers, for discussion in Dublin, both with the same title: "Is détente dead?"

2. In the light of the reassessment of East-West relations which has been under way at the governmental, parliamentary and media levels in most recent months, it is hoped that the form adopted by your draftsman for this paper will help to stimulate a lively debate. Following the introduction there is, first, a section of brief comments on some of the outstanding developments in East-West relations over the past few months. Next there is a brief Conclusion setting out some personal views of your draftsman. Finally, Appendix I is a section on some current Western views on détente.

II. Some Recent Developments in East-West Relations

A. *Followup to the Conference on Security and Cooperation in Europe (CSCE)*

3. What practical results have come out of the CSCE since the Summit held at Helsinki in August of last year?

4. As far as military manoeuvres are concerned (a point covered by Committee I of CSCE), 21 days notice was given, in accordance with the agreement at Helsinki, by the Soviet Union to NATO and other Western Governments of Soviet Army and air maneuvers held near the Turkish frontier in January 1976. Turkey, Greece and Yugoslavia took up the invitation addressed to them by the Soviet Union to send observers to these military manoeuvres. No notice was given by the Soviet Union of its autumn manoeuvres held late last year, though these may have been arranged in such a way that the exercises involved less than 25,000 men and did not take place within 250 kilometres of a frontier, in which case there was no breach of the Helsinki terms. It is interesting to note that, quoting the official texts of Helsinki, three members of the 1968 Czech Parliament signed an open letter to the Czech Federal Assembly on 25 November calling for the withdrawal of Soviet troops stationed in Czechoslovakia and the extension of full human rights to all Czech citizens.

CSCE Committee II

5. As far as followup Committee H of CSCE is concerned, the Soviet Union has proposed, in statements made by Mr. Brezhnev and Mr. Gromyko, the calling of a series of pan-European conferences on energy, transport and environmental problems. This proposal has been rejected by the United States Government.

6. There have been a number of developments concerning Committee III of CSCE, TASS declared in January that during 1976, 18 Western papers would go on sale in the USSR. Only time will tell how far this promise will become reality and who will be allowed to buy these papers. As far as foreign journalists are concerned, restrictions in Moscow on their activities have become less from 1 March of this year. They are now given about the same degree of freedom as diplomats (i.e., not very much). The Soviet Government has also confirmed a promise it made at Helsinki that journalists will be given multiple entry visas instead of having to apply for exit re-entry permits every time they leave and return to the USSR. In January TASS stated that rules governing exit permits from Russia for Soviet citizens had been simplified. It appears that the fee for exit permits has been reduced from 400 roubles to 300. But it seems that

applicants for exit permits are still liable to be dismissed from their jobs, thrown out of their homes, and subject to special surveillance by the political police.

7. It should be noted that a "review conference" on followup to CSCE will be held in Belgrade next year.

B. MBFR

8. Although the Western Governments involved in the mutual and balanced force reduction negotiations at Vienna made a concession in December 1975 by offering to withdraw 1.000 nuclear warheads from Western Europe (out of a total of around 7,000) together with some Phantom aircraft and Pershing missiles, in exchange for the withdrawal of a Soviet tank army, thus responding to Soviet demands for the inclusion of air and nuclear forces in the Vienna talks, the negotiations have remained in deadlock. There is no compromise between the two sides on the cental point. This is that whereas the West insists that the reductions should be "balanced", that is that the final totals of forces on each side, in the reduction area, should be approximately the same, the Soviet Union rejects this approach, insisting that reductions should be made on a one-for-one basis, which would still leave the USSR and the Warsaw Pact with a considerable advantage over the NATO forces after cuts had been completed. Most Western observers feel that the West must continue to insist on its basic position in this respect, othewise the resulting ageement is bound to be a bad one, and a bad agreement would worsen rather than improve the existing situation.

9. Some, but far from all, Western military observers consider that the NATO offer to negotiate a reduction of tactical nuclear warheads stored in Western Europe was a grave error. They argue that it is primarily through the tactical nuclear deterrent that Western Europe can redress its conventional inferiority to the Soviet Union and that, therefore, whatever the technical reasons underlying the offer (age of warheads, over-sufficiency of stocks, etc.) this was a negotiating error.

C. The COMECON approach to the EEC

10. On 16 February Mr. Weiss, Deputy Prime Minister of East Germany and Vice-President of COMECON, visited Luxembourg and lodged the text of a draft ECC/COMECON agreement with the President-in-Office of the Council of the European Communities, Mr. Thorn. The text of the COMECON note has been summarised in the press (notably by the "Agence Europe") but has not been made available to members of the European Parliament by the Council or the Commission, so it is difficult to analyse the COMECON proposals or to comment on them.

11. Nonetheless, it is appropriate to raise a number of questions. First there is the important political and institutional question of whether the deposing of a note by COMECON with the President-in-Office of the Council respects the primary competence of the Commission in external relations. Following earlier soundings by Mr. Fedeyev, Secretary-General of COMECON, with the then Danish President-in-office of the Council, COMECON was informed, through the Danish Ambassador in Moscow, that any formal approach by COMECON to the Communities must be made to the Commission. It is essential, as far as members of the European Parliament are concerned, that it should be the Commission which should represent the Community in talks and negotiations with COMECON. If, as reported by the press the COMECON note proposes a trade agreement, including a most favoured nation clause, the abolition of barriers to trade and the prohibition of restrictions on imports and exports, negotiations could involve the granting of major concessions to the Soviet Union and its partners. The question then arises of whether purely economic and commercial concessions on the part of the Soviet Union would provide an adequate exchange for privileges granted by the Community? In particular, it might be asked whether the Western Governments involved should require parallel concessions in other fields, such as human rights and disarmament negotiations, before the EEC concedes rich trade prizes to COMECON? These are just a few of some of the questions which immediately spring to mind in this context.

D. Angola

12. As far as Western Europeans are concerned it is the events in Angola which have done most, in recent months, to create disillusionment and scepticism about détente. There is no need here to rehearse once again, the events which

led to the triumph of the MPLA. It is also too late, and therefore useless, to ask what the United States or Western Europe might or might not have done in Angola. But we must now face the question of the implications of Cuban military operations on the African mainland and the massive injection of Soviet arms. There have been hints and rumours of further Cuban intervention in Africa. Thus the communiqué of the meeting held at Conakry, capital of Guinea, on 14 March, between Fidel Castro and a number of African leaders warned that "the destiny of the people of Namibia, Zimbabwe and South Africa" was involved in the Angolan struggle. The main question is how far the Soviet Union is willing, or even able, to restrain Castro in his African adventures. How can the West stop the USSR and Cuba from military intervention, direct or indirect, in Mozambique and Rhodesia if not South Africa?

13. Secretary of State Kissinger has stated that: "The United States will not accept further Cuban military intervention abroad." He has referred to the Soviet-backed Cuban operations in Angola as an "unacceptable precedent" and he has also stated that: "We cannot permit the Soviet Union or its surrogates to become the world's policeman." The British Government also warned Mr. Gromyko concerning Soviet intervention in Africa during the Soviet Foreign Minister's visit to London at the end of March. Mr. Gromyko denied that the Soviet Union planned to intervene in Rhodesia or South-West Africa. "Do not believe in fairy tales about the Soviet Union having anything to do with Rhodesia or Namibia," Mr. Gromyko stated at a press conference. On the same occasion he added that a Moscow deal with the West on Angola was "in the making". But the acting Soviet representative to the United Nations Security Council, Mikhail Kharlamov, stated, on 31 March, that the USSR would continue to help all national and social liberation movements.

14. American and British warnings to Cuba and the Soviet Union are fine, as declarations of intent. But declarations of intent must be translated into action to be effective. What sanctions can the US or Western Europe apply in this context?

E. Human freedoms

15. Although the specific follow-up to the work of the Cultural Committee (Basket III) of CSCE is discussed separately in this paper, the whole question of the rights of individuals within the Soviet Union and Eastern Europe requires separate treatment. Indeed, as far as Western Europeans are concerned the histories of Solzhenitsyn and Sakharov have probably influenced public opinion in its thinking about détente almost as much as Angola.

16. Views in Western Europe concerning Solzhenitsyn are very much divided on account of the fact that he has not only criticised Soviet repression of human rights, but also many aspects of Western European society, and particularly Western reactions—or lack of reactions—to actions of the Soviet régime. But Sakharov, also, although more moderately, has made it clear that he considers Western firmness essential for dealing with the USSR.

17. It is interesting to note that the dissident Soviet historian, Roy Medvedev, has criticised, from within the Soviet Union, the stance taken by Solzhenitsyn and Sakharov as reinforcing "the most reactionary circles, sentiments and institutions" in the Kremlin. Medvedev's views illustrate the diversity of opinion amongst Russian dissenters. He has been criticised, by other dissidents, for weakening their common effort, but he has rejected this criticism: "It is not for us who seek the truth to introduce self-criticism into our midst and forbid ourselves debate."

18. An important part of the significance of Solzhenitsyn lies in his historical works, which inform Soviet citizens, especially the younger generation, of many things about their country which they cannot have known before—especially the part played by Lenin and Stalin in setting the Soviet Union on a course of repression. It should be noted, however, that there have been many criticisms of what has been called Solzhenitsyn's "simplistic" approach to many complex Western problems and it has been suggested that he has not fully understood the pluralistic nature of Western society and its institutions.

19. Whatever one's personal views about the arguments of Solzhenitsyn and Sakharov might be, there is no doubt that they have sparked off a fundamental and fascinating debate about the nature of Soviet Government and Communism, and the way in which the West should deal with Moscow and the Eastern European countries.

F. Security of Western Europe and the U.S. defense commitment

20. On 15 March the London "Times" published the conclusions of a study carried out by a senior officer at the NATO Defense College in Rome. The basic point of this study is that, in view of the imbalance between NATO and Warsaw Pact forces in Europe, a surprise attack by the Warsaw Pact could result in Pact forces crossing the Rhine within 48 hours. The advance of Soviet forces could be so rapid, according to the Report, that NATO's 7000 tactical nuclear weapons in Europe might never be used, in view of the probable delays in reaching a political decision to escalate Western defence to the nuclear level. Whereas some leading Western military specialists, notably General Steinhoff, have tended to confirm this analysis, other leading experts, including Dr. Christoph Bertram, Director of the International Institute for Strategic Studies, have challenged this pessimistic conclusion as "pretending that the Soviets are ten feet tall, which they are not, and by emphasising only Soviet strengths and only Western weaknesses." Whatever the facts may be—and perhaps we are here dealing with hypotheses rather than with fact—the continuing Warsaw Pact military build-up and the great advantage given to Pact forces by the use of standardised equipment, provides in itself a good reason for serious reconsideration by members of the Alliance of their capability of holding a Warsaw Pact assault. This problem is, of course, especially important for Germany, particularly in view of the doubts that have been expressed, over the years, about the effectiveness of NATO's strategy of "forward defense". In the United States the Secretary of Defense, Mr. Donald Rumsfeld, has warned that if the West continues to allow its military strength to be eroded a situation could develop in which "our chief rival has the ability to threaten or intimidate much of the world, and in which we do not possess the capabilities to withstand that coercion."

21. Although the Europeans have been doing more to assume their fair share of the Western defense burden since the creation of the Eurogroup in 1968, it is clearly US Government decisions, whether these be at the conventional or nuclear level, on which the security of Western Europe will primarily depend in the event of Soviet aggression. Although even a small possibiilty of the West unleashing nuclear weapons in order to defend themselves might be sufficient to deter the USSR from attack, Western Europeans, on their side, will only feel secure if they can continue to believe in the full and immediate commitment of American armed might in the event of aggression. In particular Western Europeans need to be reassured about the timing of American decisions, especially the streamlining of the necessary procedures to release tactical nuclear weapons. It would be most interesting to have the views of American Congressmen concerning this point at the Dublin meeting.

G. The Sonnenfeldt doctrine

22. At the end of March the European press displayed considerable interest in the alleged remarks made by Secretary of State Kissinger's prominent adviser, Mr. Helmut Sonnenfeldt, in London last December to the effect that the "inorganic, unnatural relationship" between the USSR and Eastern Europe, based on Soviet military might, threatens world peace and "so it must be our policy to strive for an evolution that makes the relationship between Eastern Europeans and the Soviet Union an organic one." Mr. Sonnenfeldt is reported as having stated: "The Soviets' inability to acquire loyalty in Eastern Europe is an unfortunate historic failure because Eastern Europe is within their scope and area of natural interest. It is doubly tragic that in its area of natural interest and crucial importance it has not been possible for the Soviet Union to establish roots of interest that go beyond sheer power."

23. Mr. Kissinger has stated that Mr. Sonnenfeldt's briefing of U.S. Ambassadors to European countries has been misquoted. Mr. Ron Nessen, the White House Press Secretary, has said: "There is no 'Sonnenfeldt doctrine'. There is a Ford policy and that opposes Soviet domination of Eastern Europe."

24. Despite the back-pedalling from Washington, Mr. Sonnenfeldt's alleged thesis has caused grave disquiet in Western European political circles, particularly as regards its implications for countries such as Romania and Yugoslavia.

25. It would be most interesting to have the views of the U.S. Delegation on this point.

H. German-Polish Treaty

26. Since 1949 about 807,000 ethnic Germans have emigrated from Poland to West Germany. On 1 October 1975 the Polish and West German Governments signed four Agreements laying the basis for a full normalisation of their bilateral relations.

27. Two main points of those agreements are:

The permission of the Polish Government for 170,000 to 175,000 more ethnic Germans to emigrate from Poland to West Germany by 1979; and

The single transfer of 1.3 billion DM from the German Social Security Association to Poland for pension settlements, as well as a special, low interest credit of 1 billion DM for projects favourable for bilateral economic cooperation.

I. Powers of Congress concerning U.S. economic aid

28. Members of the European Parliament delegation will certainly be interested to hear from Mr. Fraser and his colleagues explanations concerning both the motivation and implications of the recent Congressional legislation which empowers Congress to block economic aid by the U.S. Administration to "repressive régimes". If it is the intention of Congress to extend this power to the blocking of military aid, this could have implications for the East-West military balance and for East-West relations.

J. China

29. This paper is primarily devoted to Western relations with the Soviet Union and Eastern European countries, but members will not need reminding that no general discussion of East-West relations can entirely ignore the position of China. The friendly contacts between the EEC Commission and China continue to develop. Members of Congress will perhaps be able to inform us, in Dublin, of their reactions to President Ford's visit to China. It would also be interesting to have comments, at Dublin, concerning the present internal political state of China, following the death of Chou en Lai.

K. U.S. grain sales to the Soviet Union

30. Since this topic is covered by Congressman Nolan's most interesting working document there is no need for the present chapter to examine this question.

III. Conclusion

31. The events in Angola, the publicity given to the views of Solzhenitsyn and Sakharov, and the much publicised burst of concern expressed by Secretary of Defense Rumsfeld, Mrs. Thatcher, General Steinhoff and others concerning Soviet military power have, taken together, led to a dramatic hardening of the climate of East-West relations. Both politicians and the public have now entered a period of hard-headed scepticism concerning the policies, actions and motives of the Soviet Union vis-a-vis Western Europe and the rest of the world. There is no doubt that people have been impressed by President Ford's deletion of the very word "détente" from the official vocabulary of the US Government. An even tougher attitude has been expressed by Mrs. Golda Meir: "I don't know why you use a fancy French word like détente when there is a good English phrase for it—cold war."

32. But there is perhaps some danger of the reaction against détente going too far. For the basic alternative facing the West is (a) either to try to control and manage its relations with the Soviet Union and its allies, attempting to reduce military and other tensions and promoting contacts in the economic and other fields where we ourselves perceive a mutual interest in doing so, or (b) to foster a policy of confrontation which could lead to war and nuclear annihilation.

33. In your draftsman's view what is required is for the United States and Western Europe to build up and maintain their political cohesion, on the basis of a strong and vigilant military alliance capable of deterring the Soviet Union either from major aggression or from coercing the West politically, whilst, at the same time, engaging in an active dialogue with the Soviet Union and the countries of Eastern Europe concerning the military balance in Europe, the easing of political tensions, and the development of trade, cultural and other links. But in this dialogue we must be sure we know what we want and we must not make one-sided concessions. Our aim must be to make East-West relations a two-way

street. Finally, it should be remembered that the dialogue, and our problems in East-West relations, is not just with the USSR but with a number of states, some of which have very special, and very different, interests of their own.

Appendix I

Some current thinking concerning détente

In this section of the paper, your draftsman quotes, with the minimum of comment, some views recently expressed by leading Western authorities on East-West relations, in the hope that these statements will help to enlarge the basis for discussion.

A. Statements by President Giscard d'Estaing and General Secretary Brezhnev, dated October 14, 1975

During his visit to the Soviet Union in October 1975 President Giscard d'Estaing advanced the view that ideological competition was not compatible with détente. He stated: "It is indeed desirable that détente in interstate political relations be extended when the time comes to two fields: détente in the armaments context, which can only be validly brought about on the world scale under effective control and subject to the capacity of all the countries concerned to provide independently for their security; and détente in ideological competition, so that the emulation between economic and social systems that are different for reasons bound up with the nature of people and objectives factors may not lead to excessive tensions."

In a speech on the same day General Secretary Brezhnev expressed his own very different view: "It goes without saying that in the course of cooperation between states with different social and economc systems, with different ideologies, the specific features flowing from those class differences cannot be removed. It would probably be an illusion to believe that one could change the general approach of each of the countries to the problems which it, proceeding from its system and its international ties, understands and solves in its own way.

The relaxation of international tension by no means eliminates the struggle of ideas. That is an objective feature . . ."

B. "Priorities for détente" by Marshall D. Shulman

The following extract from an article published in "The New York Times" of October 31, 1975, by Professor Shulman (Adlai E. Stevenson Professor of International Relations at Columbia University) warns of the possible consequences if, after years of official over-enthusiasm, a mood of undue scepticism gains ground in the United States concerning US-Soviet relations.

"What are the real interests of the United States at this juncture, and what should be our priorities in our relations with the Soviet Union? Here are four propositions, advanced in the hope of stimulating an enlightened debate on these central questions.

1. The central problem of United States foreign policy is not détente, but the threatening disintegration of international relations into widespread violence and anarchy.

The risks and instabilities involved in many of these urgent problems would be infinitely greater if the United States and the Soviet Union were locked into a high-tension relationship instead of the imperfectly moderated competition called détente.

Therefore, it is more in the United States interest to have the Soviet Union on a détente course, with all its ambiguities and dangers, than to have it follow an alternative policy of more active and militant exploitation of the world's troubled areas.

2. In our relations with the Soviet Union, the most serious and immediate danger is the possibilty of a nuclear war. Therefore, the first priority in our relations with the Soviet Union in the immediate period—whatever the nature of the Soviet régime—must be to reverse the present drift towards more unstable and less controllable military technologies, towards larger and more widely spread military arsenals.

Our real security interests require a stabilisation of the military competition at moderate levels, instead of forcing the pace of new military technologies in the

vain pursuit of superiorty, which now threatens to block present and future strategic-arms-limitation negotiations and to reduce our security.

3. The best instrument we have for encouraging more substantial restraint by the Soviet Union in its foreign policy would be a modest and controlled expansion of economic relations between the two countries, subject to cancellation if Soviet behaviour were recklessly provocative or if there were signs of a new military build-up.

There are many tough questions here concerning grain, credits, technology transfer, which involve a balancing of risks and gains, but they should be decided on the basis of national deliberation and national policy—not by private traders, unions or companies.

4. Beyond these immediate priorities, we clearly have a long-term interest in an evolution of the Soviet system towards a foreign policy of restraint and responsibility, and domestic constraints on police repressiveness and arbitrary disregard for elementary human rights.

There are forces for change in these directions within the Soviet Union. They are more likely to be effective during a prolonged period of reduced international tension than under the mobilised response to high tension. Moreover, although the spotlight of world public attention can help to inhibit egregious police excesses, grandstand ultimatums from abroad for concessions tend to stiffen backlash resistance to restraints on the police apparatus.

If we make the transformation of the Soviet system our immediate first priority and use whatever leverage we have for this purpose. we are not only unlikely to achieve more than the limited steps that are feasible for the Soviet system as it is now constituted, but we will strengthen the military, the ideologues, the police, the nationalists, and the other forces who seek to perpetuate the remnants of Stalinism in foreign and domestic policy.

The main business of the present limited détente is to reduce the danger of nuclear war by working towards a sane management of the nuclear instruments of destruction. Unless this is sucessful, there will be no opportunity to work for the strengthening of democracy in the world."

C. "Détente and political change in Europe" by Pierre Hassner

In an article in "Défense nationale" of December 1975 Pierre Hassner, Director of Studies at the Centre d'Etudes des Relations Internationales, Paris, argues:

"At first sight, there are two attitudes which end up by denying the existence of the problem through not distinguishing between the attitude adopted by the Soviet Union and that towards the Communist, revolutionary or simply left-wing forces of the various countries. The first, the classic Cold War one, consists of being equally hostile to both, considering that the danger from both is the same. The second, that of unconditional détente, consists of being equally conciliatory towards both the Soviet Union and the left-wing movements of the different countries.

Two other attitudes, on the other hand, attempt to make a fundamental distinction. The attitude of the United States, and especially of Dr. Kissinger, consists in being conciliatory towards the Soviet Union, in the spirit of the age of negotiation, and intransigent towards all forms of leftward internal evolution in Western countries. The logic of this Realpolitik attitude consists of accepting Communism where it is strong and fighting where it is weak. The idea has a certain realism, but it is nevertheless paradoxical to think of the Soviet Union as a power like other powers, with which one can exercise a certain condominium, whilst seeing the Italian Communist party as an incarnation of evil with which one must avoid all contact. Apart from the moral objection, this policy is in the final analysis impracticable, because it is based on illusions both about the conservative character of the Soviet Union and about the United States' capacity to oppose with her veto change in countries where the situation is uncontrollable or revolutionary.

It would seem to be more reasonable to adopt the opposite attitude: that is, to be more vigilant about Soviet military power and more tolerant towards national change which cannot be prevented and which leads to consequences which the Soviet Union herself cannot control."

IS DÉTENTE DEAD?

Paper by James P. Johnson

The assigned topic for this presentation is the question whether or not detente is dead.

The word, itself, is certainly anathema because President Ford has removed it from the national vocabulary. He has said, however, the policy we have been following, which has been characterized by the word détente, will not essentially change. The United States will continue to pursue its goal of peace in the world from a position of strength. Obviously, there's nothing new in that policy and so, perhaps, a more fitting title for this paper would be "Why Should President Ford Feel it Necessary to Repudiate a Word While Retaining a Policy?"

Perhaps the answer lies in the election year politics of the United States. Ever since World War II, anti-Communism and a strong defense establishment have been the platforms and issues on which both parties and most politicians could always fall back when there wasn't much else of interest to talk about in an election year. Over the years, candidates have vied with one another to prove their greater patriotism by their willingness to engage in higher defence spending "to prevent the spread of Communism". Success has varied, but tactics in an election year have not. Though the American people have undoubtedly embraced the attempt to move away from cold war tensions, there is still a residual, basic and unreasoning fear of Communism, which is periodically exploited by some and which can never be ignored by anyone running for public office in the United States.

SOME EXTREME VIEWS

Just to give an example of how deep this continuing attitude goes, it must be recognized that there is in our country a number of theologically untrained, biblically ignorant, self-annointed ministers of the gospel, who preach week after week to millions of listening citizens in continuing "anti-Communist crusades". One very prominent group right now says that the United States is losing its place in the world because: (1) we lack the will to resist Communism (without saying where or how); and, (2) pornography. The order could be reversed because they seem to equate the two about equally as serious causes for the alleged coming denouement. There are large numbers of other citizens who do not believe that the United States should even have an exchange of ambassadors or any relationships at all with any Communist country. Admittedly, these are extreme views which are held by a minority of citizens. Nevertheless, this element of our society is substantial in numbers, vocal in expression, and must evidently be appeased in any election year.

Recent political events and polls lead me to believe, however, that the possibility of a demogogic campaign on the issue of detente is receding. Secretary Kissinger's rating by polltakers is high and the candidates themselves, after a little experimenting, have been generally approving of a policy which supports improved US-Soviet relations. As one columnist said, "The implication seems to be fairly clear that a substantial majority of Americans want their leaders in Washington to continue to try to avoid a war with the Soviet Union. They no longer seem to regard Doctor Kissinger himself as superman, but they have not brought the extremely critical view that détente has simply been a one-way street for Moscow".

DÉTENTE AND ANGOLA

Having given that brief, superficial review of our quadrennial circus, let us examine briefly the elements of detente and the problems which face us. Essentially, détente must be understood as being nothing more than a lessening of tensions, a broadening of contacts, a tentative approach toward expanded trade and halting of the arms race. Détente is not now, and never was, an

alliance or even a reconciliation of adversaries. On the American side, it was defined as a relationship in which the goal of both sides was to maintain peace, preserve vital interests, and adjust differences in a more understanding atmosphere. On the Soviet side, the corresponding term is "razryadka", which literally means "taking the charge out of a weapon". That is almost the same basic meaning as "détente", which originally stood for easing the tensions on a crossbow. However, to the USSR, detente has never meant maintaining the status quo in developing countries and it has been quite clear in saying so. They have affirmed that there could not be detente in ideology. Thus, the whole debate has been brought to a head over Angola. More about that in a moment.

The factors which impell us toward détente—and we must all remember that de Gaulle was the first to recognize the need to take positive steps to change the cold war attitudes and climate—are generally recognized to be the following: (1) the danger of global destruction through nuclear war; (2) the Soviet need for Western technology and US trade benefits from commerce with them; (3) adverse Sino-Soviet relations; (4) Soviet achievement of near strategic nuclear parity and the prohibitive costs of an arms race; and, (5) a mutual desire to establish a reliable structure for managing direct crises. Some of the barriers to détente are recognized to be: (1) the Soviet view that the ideological struggle between Socialism and Capitalism must continue throughout the world, no matter what the relationship is between the two super powers; (2) each nation sees the other as the only major military threat to its own security and thereby feels compelled to challenge any action which might unfavorably tip the delicate balance of power; and, (3) suspicions born of the long cold war period are engrained on both sides.

A VOLATILE RELATION

It must be remembered that detente has had a rocky road, up to this point. The Soviets cancelled the 1972 trade agreement with the United States in response to Congressional action in the Trade Reform Bill, linking most favoured nation treatment to liberalised Soviet emigration policies. MBFR and SALT II negotiations have not culminated in agreement. There was a potential confrontation in the Middle East in 1973, which demonstrated the volatility of the relationship.

Excluding the political factors present, which I mentioned earlier, the combination of heavy Russian spending in their own defence establishment, expansion of their naval forces and Angola have brought about a renewal of analysis and debate in US governmental circles. Though the US has said the outcome in Angola is not going to affect the SALT II negotiations and is not going to mean another grain embargo, the US has delayed three Cabinet level meetings of Soviet and American joint commissions indefinitely. The State Department said, "In light of the situation in Angola, we felt we could not conduct our business with the Soviet Union as usual". These conflicting statements about our reaction to Angola should not be confusing. There is a certain amount of face-saving involved (we were in Angola, too); there is a certain amount of pacifying citizens at home; and there is the need to convey an attitude to the USSR. The increased expenditures for defence this year will also provide a signal, if one is really needed.

DÉTENTE AND DEVELOPING COUNTRIES

In my opinion, the immediate future of detente is tied to Russian actions in developing countries in the next few years. The people of the US truly want peace with the USSR; but we are wary and skeptical, and rapid expansion of Russian influence can lead to a hardening of anti-Russian attitudes in the US very quickly. On the other hand, the climate for détente is opportune for improvement if there is no radical or dramatic event in the next few years which will be perceived to a threat to American interests. After the election, a new SALT treaty and expanding trade could renew the expectations that were so widely felt prior to Angola. A Library of Congress research brief has this to say, "Détente has change markedly Soviet-American relations since early 1972 . . . The substance of the relationship has changed markedly. A multilevel framework for orderly negotiations has been established and potentially significant agreements have been reached in the fields of strategic armaments, international exchange and science and technology. Economic relations have

also expanded. The magnitude of the improved relationship is evident by the number of treaties. Of the sum, 105 treaties and other international agreements with the Soviet Union since establishing relationship in 1933, 58 were concluded between January 1969 and May 1974. Forty-one of them were signed during 1972–1974 . . . The political and power factors that created the rationale for detente are not likely to dissolve within the foreseeable future".

Modern history does not offer much hope that European nations or the United States can avoid war for a prolonged period. But one has to hope, and right now this appraisal is basically an optimistic one.

"IS DÉTENTE DEAD?"

Paper by Joseph E. Karth

The world-renowed Albert Einsten, after becoming an honored refugee in the United States, once declared:

"I do not know with what weapons World War III will be fought. But I do know that World War IV will be fought with rocks".

Grim as that prediction was, the prospects for our world's future that loom today are undoubtedly even grimmer, because it is possible that the rocks anywhere would be too "hot", radioactively, to handle.

But that ominous prospect is a measure of the chaos, confusion and drift that now mark international relations and particularly relations between the nations of the free world on the one hand and the Communist bloc on the other.

I have been asked to make a keynote presentation to this meeting on the theme: "Is Détente Dead?" I would like, if I may, for purposes of a more fruitful discussion to pose the question more realistically: "Was Détente Ever Alive?"

The change is not rhetorical; to the contrary, it is pressingly historical and as such has decisive meaning for the world of today and the world of the future. The question, "Is Détente Dead?" suggests the possibility that it may not have died and that therefore it might be revived and even made healthy.

The decision by President Ford to abandon the word "détente" makes our revised question more pertinent.

DID DÉTENTE EVER EXIST?

There are three major aspects of our question. Was there ever actually such an international agreement as détente? Was there ever détente in the sense that the people of the free world or the people of the Communist world or the people within any country had a common understanding of the term? And finally and most importantly, was detente ever an operational part of Soviet Russia's foreign policy or its pragmatic practices?

It is my conviction and the conviction of a growing number of people in the United States and throughout the free world today, that the answer must be "no" and that in no realistic sense did détente ever exist.

But before the doubts began to rise about the very existence of détente, a marked change of attitude toward détente became clear in all sections of the American population. Public opinion polls taken in 1975 and 1976 disclosed a mounting American distrust of the Soviet Union's motivations, intentions and actions and finally a widening rejection of détente itself.

The idea of detente, we remember, came on the international scene in May 1972. It had everything in its favour. The American people approved; the press approved; national leaders and the American intellectual community approved. For good reason. Détente was seen as the end of the Cold war, the easing of frictions, armament races and the danger of open hostilities. Détente was hope; and Americans as well as other millions of people in the free world wanted, most of all, hope.

CRITICISM OF DÉTENTE

Although frequently antagonists on both international and domestic issues, the Wall Street Journal, the voice of American business and industry, and the AFL–CIO, representing the American labor movement, are now criticising detente in language that could easily be interchangeable. The Journal declared last month (March 10) that "Détente is dead. And yet (Secretary of State Kissinger) refuses to recognize it". As for American labor, AFL–CIO unions, individually and collectively in convention, unanimously condemn détente and all its works from the "one-sided" exchange of technology to the costly sale of grain to the Soviet Union.

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On the political scene there has been no outcry from the Republican Party since its leader, President Ford, publicly repudiated detente and announced that henceforth United States policy would be something called "peace through strength". On the extreme "right", Ronald Reagan, Ford's rival for the Republican presidential nomination, seems to consider détente a fraud that should promptly be killed if it is not already a corpse.

The Democratic Party, in position papers being prepared for its national convention in July, will deny that détente ever worked and will advocate its replacement with a new philosophy and new implementing structures.

Within the US government there is occurring a policy shift much deeper and broader than any abandonment of a term or shibboleth. The nation's most important and influential newspapers have recently noted "a serious stiffening in the United States' attitude toward the Soviet Union". This stiffening derives, of course, from the recurrently bellicose and imperialist actions of the USSR in Africa and elsewhere. But it also derives from an increasing doubt among the leaders and rank-and-file of both parties that détente has ever been a two-way street, that it has ever been a reciprocal operation.

A CONSENSUS ACHIEVED

So from every area of American life—public opinion polls, organised labour, business, the major political parties, and the government itself—there has arisen a consensus. And that consensus has been based on one or all of the following: That détente has not achieved its primary purpose of relaxing international tensions; that détente has not restrained the Soviet Union's military adventurism; that détente has never been an effective two-way street; and that, in fact, détente has operated at a disadvantage to the free world.

The Cold War—including, the not-so-cold occupation of Hungary and Czechoslovakia—dominated international relations in the 1950s and 1960s. Then with the fall of Vietnam and the departure of American troops came détente.

Today, after nearly four years of détente, the question for the free world has become; Was détente a delusion? Was détente merely a continuation of the Cold War by the Soviets and a prayer for peace by Americans?

THE SOVIET RECORD

To answer that, we need of course to look back on these four years and review the record of the Soviet Union—not what the Soviet Union said but what it did. That record includes:

The successful invasion and takeover of Angola by Soviet arms carried by 4,000 to 6,000 Cuban troops;

Similar Russian military threats, most of them continuing, in Mozambique, Guinea-Bissau, and elsewhere in Africa;

The provision of vast amounts of Russian military hardware of all varieties to Syria, Egypt and other Arab countries, plus the Palestine Liberation Organization (PLO), all of whom are openly determined to wipe out democratic Israel, the free world's only ally in the Middle East;

The strenuous, though unsuccessful, Soviet effort to capture the fledgling government of Portugal;

The USSR's enormous buildup of its own military power, and the continuous enlargement of its army, navy, and airforce strength;

The deadlock after deadlock, by Soviet choice, in the Strategic Arms Limitation Talks (SALT) during 1975 and 1976;

The repeated Kremlin attempts to whip the large Communist parties of Italy and France into conformity with Soviet policies;

Accelerated and widened involvement of the Soviet Union in Africa;

The Soviet Union's corruption of the United Nations by pressuring the Arab and African member states to vote for the outrageous resolution equating Zionism with racism;

The perversion of the International Labour Organization (ILO) for Soviet purposes and the ILO's gradual degradation into a Soviet tool;

The USSR stalling tactics on the Helsinki agreement to ease the exchange of people, news and ideas;

The Soviet government's intensified warfare on a substantial number of its citizens because they have indicated a desire to emigrate, including the persecution, arrests, Siberian exile and commitments to mental asylums of those citizens;

The increased jamming of Radio Free Europe and Radio Liberty broadcasts; and

The Soviet Union's success in forcing the exclusion of Radio Free Europe reporters from the winter Olympic Games and its current attempts to have them excluded from the Montreal Olympics this summer.

This, then, has been a partial catalogue of the USSR's crimes against détente. We hardly need ask ourselves: Have these Soviet actions relaxed international tensions? Do these actions reflect a USSR "accommodation" to the free world or an intention to enlarge a spirit of amity between the Soviet Union and the free world?

CONTINUED COLD WAR

Of course they do not. Rather than any mythical détente they suggest a continuation of the Cold War by the Soviet Union, even if on a somewhat diminished scale. But even a diminishment is questionable in view of Angola and the Soviet Union's unforgivable arming of the Arab countries for their almost inevitable attempt to destroy Israel.

But surely we who have lived with Soviet Communism for more than a half-century cannot be astonished at the Soviet Union's making a mockery of Dr. Kissinger's mythical détente. We witnessed, after all, the Soviet Union's rapid opposition to the post World War II Marshall Plan and programmes to rehabilitate war-torn Europe. And we witnessed the building of the Berlin Wall, the ultimate symbol of Soviet Communism's paranoia and fear of contact with the West. And we witnessed the occupations of Hungary and Czechoslovakia and the murder of Vietnam with Russian weapons.

Détente, we can now see, was a figment of Dr. Kissinger's imagination rather than a practical, realistic formula for easing tensions and creating friendlier relations between the US and USSR. And Brezhnev has confirmed this in stating that under détente there was no change in Communist objectives either in the Soviet Union or abroad. Was it wishful-thinking that made us forget, temporarily, that the USSR is a Marxist state irrevocably committed to the "class struggle" and to the destruction of capitalism and so-called bourgeois society?

A GRAND DELUSION

Détente was Dr. Kissinger's "grand delusion," his self-delusion, his confusion of fiction with fact. The tragedy is that his delusion was able, for a time, to mislead many Americans, including much of the intellectual community and the press.

One of the riskiest consequences of détente was that it encouraged American businessmen—who should have known better—to exchange their technological secrets for a mess of pottage. They gave away, almost for nothing, the technological and scientific advantages we have traditionally held over the Soviet Union. We are going to live to regret the exchange of those secrets for the right to sell Pepsi-Cola in Murmansk and the transplantation of Alaskan musk-oxen to Siberia.

We quickly lived to regret the first big deal under détente. The mammoth sale of grain to the USSR proved, first, not as profitable as originally anticipated; second, highly expensive for American consumers who found themselves paying higher and higher prices for bread and, third, it gave the Soviet Union control of world food surpluses at a profit and without having grown any of those surpluses.

But once again in 1976 American businessmen—industrialists and farmers—are going to prop up the faltering Soviet economy with American technical know-how and with America's golden sheaves of grain.

Détente failed—failed even a myth—for the above and for other reasons. Joseph Kraft, a widely syndicated American newspaper columnist, recently put his finger on another reason for the myth's collapse.

ROLE OF KISSINGER

"Vietnam alone does not explain the widespread disillusionment with détente", the columnist wrote. "By no mere accident the term has acquired a bad name just as the stock of the Secretary of State has dropped.

"To a large extent the fault lies with Dr. Kissinger himself. For years he has disparaged the role of moral feelings in foreign policy. He has systematically favoured corrupt and repressive governments of the right wing. He has been

deceptive with Congress and the country. The fact is that Dr. Kissinger does not satisfy the yearning Americans feel for a foreign policy with moral content. His diplomatic style reinforces the uneasy feeling that détente means trafficking with the Communists to no good end."

It should be added that Kissinger's lack of a "foreign policy with moral content" is also sadly and reprehensibly evidenced by his encouragement—through failure to do anything and failure to say anything—of the 200 American business firms that have joined the Arab boycott campaign against Israel. Through a variety of available means Kissinger could have put a halt to this disgraceful participation by American businesses in the Soviet-approved boycott.

But Kissinger's desire to appease the Soviet Union is almost obsessive. That is why he came before Congress and asked us to guarantee financial credits to enable the USSR to develop undeveloped resources. Congress did not approve the Kissinger guarantees.

Even while the détente bubble was continuing to disintegrate, Kissinger could not bring himself to admit it. Instead he declared in a national broadcast that "politically I think any candidate who says 'abandon détente' will be the loser in the long run". President Ford obviously didn't believe his Secretary of State. A few weeks later he abandoned détente.

Thursday, April 22, 1976, Morning

SUMMARY OF DISCUSSION

Session III—Discussion of a Working Document on a Draft Code of Principles on Multinational Enterprises and Governments

(Working Documents: Mr. Gibbons and Mr. Lange, and Mr. Archer) [1]

Mr. Gibbons, rapporteur for the American delegation, felt that the internationalization of production was basically to positive phenomenon. There was therefore no question of hostility to the multinational enterprise as such. But there was an obvious need for a number of directives on the activities of enterprises engaged in international operations.

It was true that other organizations, in particular the OECD, were preparing relevant directives. The OECD draft [2] relied, however, on voluntary commitments, whereas what the two rapporteurs wanted was a binding agreement.

It was certainly not intended that national sovereignty should be affected by the agreement. It was for this reason that the draft contained a provision to the effect that, in the case of disputes, the law of the host country should take priority. The draft was based on the principle of equal treatment for multinational and national enterprises.

Mr. Gibbons regretted that publicity about multinationals usually concentrated on their shadier aspects. This would certainly result in an intensified investigation into their activities.

BINDING CODE NEEDED

Mr. Lange, rapporteur for the European Parliament delegation, felt that the chances of success for the draft had improved now that certain undesirable practices of enterprises operating across national frontiers had recently been the subject of publicity. From what had been revealed it must be obvious that a voluntary code would be quite useless. What was needed was a legally binding set of rules applicable throughout the world. Economic structures had developed more rapidly than political ones. The political sector had to catch up.

Many of the activities of international enterprises could no doubt be termed legal in a formal sense, but this did not mean they were acceptable. Such activities had to be made impossible. It was inadmissible that national parliaments should tolerate a situation where large enterprises could lay down the law to the political authority.

[1] See pp. 29 and 35, respectively.
[2] See p. 71 for OECD proposed code.

Efforts to achieve an international agreement on enterprises operating across national frontiers were not something that had just come into fashion. As early as 1947, when GATT came into being, consideration had been given to introducing international regulations.

Both delegations should at least be able to reach agreement on the principle of a legally binding agreement by the end of the morning.

SERIOUS OBJECTIONS RAISED

Mr. Archer stated that he had serious objections to the draft put forward by Mr. Gibbons and Mr. Lange. In his view, intervention by government authorities in the manner proposed in the draft report was not the best way to solve the problems attendant on internationalization of production. The proposals contained in the working document could lead to the creation of an international organization with powers that should be entrusted only to an elected body.

Mr. Archer raised the following specific points in connection with the working document:

Paragraph 5: the idea of introducing "political control" appeared to conflict with the free enterprise system.

Paragraph 10: it is a questionable procedure to say that, in case of disputes, the law of the host country would prevail.

Paragraph 11: it was doubtful whether an international secretariat of the kind intended here could provide the most satisfactory solution to the problem.

Paragraph 14: this passage required further explanation.

Paragraph 17, ff: harmonization of legislation on competition could be useful, although the effect it would have was still uncertain.

Paragraph 20: it is asking too much to require enterprises to provide the authorities responsible for competition matters with all the information asked for.

FURTHER OBJECTIONS

Paragraph 22: the obligation to report all projected investments should not mean that approval by a government authority should be required in advance.

Paragraph 24: this gave excessive power to government authorities.

Paragraph 26, ff: provisions amplifying existing regulations seemed unnecessary, since a sufficient number of taxation agreements had already been concluded between the industrial countries. Paragraphs 27, 28, 32, 33 and 34 were out of place in the working document.

Paragraph 42: this required further explanation.

Paragraph 44: There is no reason why residents of the host country had to be allowed to acquire shares.

Paragraph 45, ff: labor market policy was best left to the enterprises and trade unions. Mr. Archer felt that it was unnecessary that "at least one host country national should have a seat on the management board."

Paragraph 52: this required further explanation.

Paragraph 53: this passage should be elaborated further.

Recapitulating, Mr. Archer felt that the changes he had proposed would considerably improve the document by Mr. Gibbons and

Mr. Lange; however, there were still insufficient guarantees of the fundamental rights of sovereign governments, the owners of multinational enterprises, and their employees.

PREVENTING FUTURE ABUSES

Mr. Hougardy felt that it was not enough to investigate the scandals such as those that had recently come to light, but that a way had to be found of preventing their recurrence.

The draft prepared by Mr. Gibbons and Mr. Lange was aimed at both multinational enterprises and governments, but especially at the former. Care should be taken to ensure that the code was not used as a pretext for restrictive national legislation. Governments must also accept rules of good conduct in this complex area.

As regards free access to information on multinational enterprises, Mr. Hougardy felt that the provisions in force in the United States could well serve as a model. It was extremely difficult to lay down comprehensive rules on transfer prices: who was to say what was a fair transfer price, what came just within acceptable limits and what was unacceptable?

It was somewhat alarming that so many organizations were occupied with the problem of international production at the same time.

It was surely obvious that an attempt should be made to include Japan in this entire effort and also to coordinate efforts with the OECD. Further progress could then be based on what that organization had already achieved and in this way there might also be less scope for nationalistic tendencies within that organization. In conclusion, Mr. Hougardy wondered if the problem of multinational enterprises should not also be raised in the North-South dialogue.

A STRONGER CODE NEEDED

Mr. Prescott felt that there was no need to discuss further the principle of an international agreement on multinational enterprises; it was obvious that there had to be a binding agreement. There were two points no which he questioned the proposals by Mr. Gibbons and Mr. Lange.

It was very doubtful whether competition policy provided the best means of keeping the power of multinational enterprises within limits. The question of investments was more to the point, since this was what determined economic trends.

Secondly, it could be dangerous to proceed on the principle that the law of the host country should take precedence in case of disputes. There was always the possibility that certain countries would see the advantage of maintaining or introducing arrangements favourable to multinational enterprises.

NEED FOR BETTER INVESTIGATIONS

Mr. Prescott finally suggested that the European Parliament ought to make more use of methods of investigation of the kind regularly used in the United States, like public hearings, for example.

Mr. Normanton felt that it was hopelessly unrealistic to expect that binding rules could be instituted on a worldwide scale. Integrity was

the general rule among multinational enterprises and practices such as had occurred in the Lockheed Company were the exception. He could support most of the observations made by Mr. Archer. Finally, he noted, there is little chance of influencing the behavior of the great state corporations like those in the Soviet Union.

Mr. Badillo felt that too little attention had been paid in the debate to the demands of the Third World. If some speakers felt that the working document went too far, it should be remembered that the demands of Third World countries were usually much stiffer. The Latin-American countries would not be content with, for example, the provision that "enterprises must allow residents of a host country to acquire their shares" (in a subsidiary of the foreign company) (paragraph 44). These countries demanded the right to buy out the entire subsidiary on conditions that were acceptable to them as host country. The working document by Mr. Lange and Mr. Gibbons therefore seemed more relevant to the industrialized countries.

MNC's AVOID COMPETITION

Mr. Bordu felt that scandals such as those that had recently come to light were inherent in the nature of the multinational enterprise. They were the direct consequence of attempts by these enterprises to avoid the pressures of competition. It would be a good thing if committees of enquiry were to be set up that could go into the matter in much greater depth than had so far been done.

It was true that the multinational enterprise had stimulated technical progress, but it had also led to the demise of the small and medium-sized firm.

The measures proposed by Mr. Lange and Mr. Gibbons were necessary but incomplete. Investments should not only be reported; the employment opportunities they provided should also be examined.

Mr. Cousté, chairman of the European Parliament delegation, referred to the special nature of the day's debate in that, for the first time, a document drawn up jointly by rapporteurs from delegations from the United States Congress and the European Parliament has been the basis of discussion. This was all the more remarkable since the topic under discussion was an extremely difficult one.

It was undeniable that international production was a logical development of the present economic system; it was, however, one that led to the decline of certain economic and political structures.

POLITICAL STRUCTURES LAG

Mr. Lange felt that at the root of the problem was the principle that freedom must never mean licence. Everyone was in favour of freedom, but freedom could be abused. Enterprises engaging in international operations had made decisive contributions to technological progress, but this did not entitle them to positions of political power.

Political integration was lagging behind economic integration. The gap had to be closed, and this would have to be done through an international agreement. It would probably be sensible to proceed

gradually, confining initial action to an international agreement on cooperation between competition and taxation authorities; a gradual extension of the geographical area covered could also be considered.

A NEW KIND OF GATT NEEDED

There was no question of the two rapporteurs wanting new government authorities to be set up. All that was necessary was that eventually—not necessarily in the first stage—an international body should be created with responsibility for implementing an international agreement on multinational enterprises. Its function, in its own field, would be comparable to that of GATT in the field of international trade.

All the data that the rapporteurs wanted to have published could be made public without delay.

It was certainly useful to bear in mind what had been accomplished through the OECD, but it was clear that at best this organization could achieve only limited success and was in no position to bring about a binding agreement.

Mr. Pisoni called for improved safeguards of the rights of employees.

CODE REVISIONS PROPOSED

Mr. Scott-Hopkins accepted that something had to be done along the lines suggested in the working document by Mr. Lange and Mr. Gibbons. The thought of creating a new international organization did not, however, appeal. He wondered if the task could not be taken on by GATT.

He supported Mr. Prescott's proposal on introducing methods of investigation by the European Parliament similar to those used by the American Congress.

Mr. Gibbons proposed that he, together with Mr. Lange, should undertake some revision of the working document so that an agreement in principle could be worked out at the next meeting.

Mr. Hougardy observed that the delegations were not competent to adopt decisions.

The chairman, Mr. Fraser, suggested that the rapporteurs should incorporate a proposal in their working document as to the subsequent procedure to be followed; this was approved, and the meeting closed.

PAPERS

A DRAFT CODE OF PRINCIPLES ON MULTINATIONAL ENTERPRISES AND GOVERNMENTS

Paper by Sam Gibbons and Erwin Lange

INTRODUCTORY REMARKS

1. The internationalisation of production is a logical consequence of the development of our economies; as such, it is a positive phenomenon, contributing to economic growth and increasing prosperity.

2. Nonetheless, the organisation of operations beyond national borders by multinational enterprises may lead to undesirable concentrations of economic power and to conflicts with national policy objectives.

3. Therefore, it is appropriate to seek to encourage the positive contributions which multinational enterprises can make to economic and social progress and minimise and resolve the difficulties and problems which may arise from their operations.

4. Just as it is normal for firms increasingly to carry on activities beyond the frontiers of their own country, so it is normal and necessary for an international framework to be set up for these international activities obliging the firms in question to respect certain basic rules and at the same time offering them the necessary legal security.

5. Economic integration, as embodied in multinational enterprises, has stolen a march on politics, for which in most cases the national frontiers remain the relevant framework. Although far-going economic interdependence can be a useful stimulus toward political integration, it is nevertheless essential in international relations too for public policies to take precedence over economics; that is, the framework in which the multinational enterprise operates must be under political control. This condition is not being met at present. Accordingly, certain rules need to be laid down in an international agreement.

6. The problems connected with the activities of multinational enterprises (MNEs) can no longer be dealt with only in a national context and cannot yet be solved on a world scale. Agreements on MNE activity among industrialised nations would represent a great step forward. The delegation of the U.S. Congress on the one hand and that of the European Parliament on the other can in the first instance help to bring about an agreement between the United States and the European Community, to which Japan, Canada, and other industrial countries may later accede.

GENERAL FRAMEWORK

7. The agreements to be concluded, initially between the United States and the European Community and subsequently expanded and extended to the whole world, must be binding on all parties—that is, have the force of law in all the States party to them and impose legally binding obligations on firms based in or operating in those countries.

8. Multinational enterprises are companies of private, state or mixed ownership established in different countries and so linked that one can exercise a significant influence over others.

9. Multinational enterprises are to obey national and international laws and respect the national policy objectives of parent and host countries.

10. Governments which are a party to these agreements are to treat multinational enterprises according to international law and are to deal with conflicts of national laws as they affect MNEs; in case of disputes, host countries are to prevail. However, when necessary, governments are to use international dispute mechanisms to settle investment and other disputes involving MNEs.

11. These international agreements are to be implemented and enforced through the mutual cooperation of government authorities and through existing institutions of international law. If the need develops for an international secretariat to administer these international agreements, it should be established with due regard to the population and economies of the parties involved.

12. Before wide-ranging agreements of this kind are drawn up, either as a whole or even in stages, the States that intend to be party to them should from the outset consult and conclude agreements on administrative aid and on the mutual recognition and enforcement of court judgments, etc., in order to acquire a measure of control over the international activities of these enterprises until effective international agreements have been worked out. Prior to such international agreements or the harmonisation of national laws and policies, better cooperation among government authorities will do much to prevent the circumventing of national laws and policies.

13. The agreements to be concluded must be binding on all firms. There must be no discrimination against multinational enterprises as compared with national enterprises.

INFORMATION

14. The annual public reports of multinational enterprises are to give governments and the public a clear picture of their activities, of their financial situation and of their connections with other enterprises. At least the following information is to be published, broken down by specific operations and countries of establishment:

(a) The financial and overall structure of the enterprise and financial and personal links with other firms;

(b) The funds invested, reinvested and transferred to the country of the parent company;

(c) The origin and composition of capital, existing and new;

(d) The number of employees, the number of jobs created and abolished, the number of host country nationals working at various levels;

(e) The balance sheet and profit and loss account, including gross sales, with taxes paid shown as a percentage of sales;

(f) Expenditures on research and development; and

(g) Income from royalties, licenses and management contracts.

15. The same information is to be provided by comparable national enterprises.

16. Governments are to cooperate in efforts to establish an internationally agreed upon system of standardised annual accounts and reports for enterprises of a significant size.

COMPETITION

17. Multinational enterprises, along with other large enterprises, frequently have technical or financial advantages over their competitors, which means they enjoy a certain position of power. Competition policy should be aimed at checking abuse of this position.

18. To achieve this, the first essential is much more intensive cooperation between the antitrust authorities of the United States and the European Community. Controlling multinational enterprises is made difficult not so much by the shortcomings in national legislation on competition as by the problems in implementing it. The antitrust bodies are frequently unable to prove abuse by an MNE because the necessary evidence is in the hands of another of its establishments abroad. An international agreement should therefore authorize bodies to have access to all relevant information. Moreover, the rapid exchange of information between the antitrust bodies and mutual support in investigations of restrictive practices must be guaranteed. Finally, it must be made possible for antitrust bodies to take joint action against restrictive cartels and against abuses of power.

19. Governments are to agree on safeguards and penalties to prevent the inappropriate or indiscriminate use of antitrust information, for instance, to bring a competitive advantage for another firm.

20. Multinational enterprises are to avoid action which would adversely affect competition, such as price fixing, restricting the freedom of operation of subsidiaries and licensees, acquiring interests in competitively significant enterprises, or engaging in restrictive cartels or agreements. They are also to cooperate with government competition enforcement authorities and provide information requested by these authorities.

21. Governments are to be cautioned to show objectivity in the enforcement of antitrust laws against the various enterprises. There appears to be a trend toward increased involvement of governments in enterprises, including direct ownership of firms. If this trend continues, it can be questioned whether such governments can continue to remain objective with regard to the enforcement of antitrust and other laws against enterprises in which they are involved, as opposed to other enterprises. Any discrimination against foreign-based enterprises is also to be avoided.

INVESTMENT POLICY

22. Investments planned by multinational enterprises are to be reported to government authorities in the countries concerned.

23. In more than half of all cases, direct investment abroad takes the form of a takeover of an existing firm. There are reasons for being more restrictive in such cases than on new, direct investments. Takeover bids (open bids for total or partial takeover) must be made subject to regulations. These must provide at least that adequate prior information be given to government officials, officials and workers of the firm to be taken over, trade unions and shareholders.

24. Canada, Belgium and Britain have rules under which, in the event of foreign takeovers of firms, certain guarantees can be required as regards jobs, investment policies, maintenance of national management and also, where appropriate, maintenance of research activities and a certain share in exports. These and other special investment regulations ought to be harmonised in an international agreement. This agreement, while recognising national policy objectives, should seek to minimise distortions to trade and investment, harmonising inventives and disincentives and avoiding discrimination on the basis of country of origin.

25. Governments are to agree on safeguards and penalties to prevent the inappropriate or indiscriminate use of investment information, for instance to bring about a competitive advantage for another firm.

FISCAL POLICY

26. Multinational enterprises are to provide government tax authorities with the information necessary to the correct determination of taxes due and are to avoid the use of practices (such as distorting transfer prices) which alter their tax base or have the effect of contravening national tax laws or policies.

27. Multinational enterprises in their accounting practices and governments in formulating their tax policies shall seek to implement the principle that taxes ought to be paid in the country where the income is earned. Dividend and interest income may of course be taxed to shareholders and investors by their respective governments. Where holding companies or other means are used to hold income and avoid taxes, government authorities may want to disregard these third parties and tax this income as received currently by shareholders.

28. Government authorities are to:

(a) Upgrade present efforts to facilitate the enforcement of national tax laws and policies by entering into tax treaties or other international agreements providing for the comprehensive mutual exchange of information and assistance. It is most important that adequate staff support be provided for these efforts. Simultaneous or joint audits of selected enterprises by tax authorities of several governments may sometimes prove frutiful;

(b) Seek to harmonise the withholding tax on portfolio investment in the various countries;

(c) Seek to harmonise other national tax laws insofar as possible, especially those affecting foreign investment;

(d) Take steps to combat the abuse of agreements for the avoidance of double taxation;

(e) Work to establish a common position regarding tax havens. (Tax havens are countries or areas with many or all of the following characteristics: low taxes, little or no exchange control, bank secrecy, no exchange of fiscal data with foreign authorities, a developed banking system and political stability). This should include common actions against enterprises that misuse tax havens. Consideration should be given to coordinated international action to deny such enterprises the right to open new facilities in the countries that are party to an international agreement on tax havens or to deny to these enterprises tax deductions for payments to any tax haven country (in computing tax due to any of

the countries which are parties to the agreement). Another option would be to eliminate the withholding tax on portfolio investment for all investors except those giving tax haven countries as their residence.

29. Governments are to seek to establish effective international mechanisms for the settlement of tax disputes.

30. Governments are to agree upon safeguards and penalties to protect against the inappropriate or indiscriminate use of tax information provided to them.

31. An unacceptable amount of secrecy still surrounds the reporting of income earned, especially by banks and others in certain European countries. This secrecy is not justified and is in fact harmful to the legitimate revenue interests of all countries. It is to be eliminated by national law and international agreement.

32. Unilateral corrective action in tax areas such as that of financial secrecy (or determination of transfer prices or action against tax haven holding companies) could of course result in flights of capital to other countries. However, coordinated action by government tax authorities in these areas and others, including similar penalties for violations of principles agreed upon by the various countries, would be most effective in eliminating the non-taxation of income.

33. Some measures for corporate or shareholder tax relief or "integration" of corporate and personal income tax systems now being implemented or studied would discriminate against foreign shareholders. Because such results are not compatible with the free flow of investment, these measures should be modified or reconsidered.

34. Some governments are now using the so-called unitary method of assessing taxes on corporations. Under this method, a multinational enterprise would be taxed on the basis of its consolidated profit, and the profit assigned to a particular firm by government tax authorities would be based on the firm's sales in a country or state and its assets and employment there. There are some indications that this method of taxing is being administered inequitably with regard to foreign-based corporations. Such discrimination in tax treatment is wrong and should be eliminated.

35. It is essential to maintain supervision of transfer prices (the prices applied in transactions that take place within an enterprise) and to take action against transfer price practices which are directed at avoiding taxation.

36. Transactions within multinational enterprises—between subsidiaries of the same enterprise or between a subsidiary and the parent company—constitute an important part (20–25%) of international trade. Fixing the prices for these operations gives multinationals possibilities that firms with establishments in only one country do not have, and that puts them in a position to make more profit.

37. MNEs can have various reasons for setting a different transfer price from the one that would be applied to a sale from a firm to another independent one. An enterprise with operations in various countries seeks to declare as much profit as possible in countries with a low level of taxation, and to keep down the profit declared in countries with high taxes. MNEs may also seek to set the transfer prices in such a way that more profit goes to wholly owned subsidiaries than to firms in which they have part interest only. In some cases, it may also be advantageous for the MNE to declare low profits, or even losses, in a country where its subsidiary is facing important wage negotiations. Other factors that play a part here are the country of establishment's currency stability, exchange control, and the risk of nationalisation.

38. Governments are to seek to construct internationally agreed upon rules for transfer pricing and are to cooperate fully and intensely in trying to determine appropriate transfer prices. Such rules can be based on the "arms length principle" or, when that principle cannot be applied, on a "cost plus" basis (production costs plus a reasonable profit margin). Other means that may help to determine correct transfer prices on goods are:

(a) a comparison of reported transfer prices with prices of similar goods delivered during a recent period of time or similar goods delivered elsewhere about the same time, and (b) a comparison of the profit or loss margin on the goods with average profits or losses on similar goods sold by other firms.

39. Governments are also to give attention to the transfer prices of services as well as goods, including financial services and payments for the use of technical know-how, trademarks and patents.

40. One method now used by some governments to tax firms which use transfer pricing is simply to check profits reported by the firm. If tax authorities judge the reported profit figure too low, the firm may be taxed on a higher profit figure. However, as with other methods which go beyond reported profit figures, care should be taken to insure that this method of taxing is not administered inequitably.

CAPITAL MARKET POLICY AND MONETARY POLICY

41. Multinational enterprises are to respect the balance of payments, monetary and credit objectives of parent and host countries.

42. It is desirable for monetary authorities to have accurate data on international capital movements. In some European countries the banks are obliged to keep the central bank of their country of domicile informed of their forward exchange position. Consideration should be given to extending this kind of regulation on exchange transactions to (a) at least all countries of the European Community and the United States and (b) all enterprises of a significant size. Information should be supplied monthly and also cover all capital movements within the enterprise.

43. Government authorities are to avoid unduly restrictive capital controls and are to consult and cooperate when necessary in doing so.

44. Enterprises must allow residents of a host country to acquire their shares. Participation by host country nationals can be promoted by a provision that a foreign company having recourse to the capital market in the host country must do so partly through an increase in its equity capital available to host country nationals.

SOCIAL POLICY AND LABOUR MARKET POLICY

45. The representatives of the workers in a multinational firm must be afforded the opportunity of holding consultations with those responsible for the firm's policy. At present it is often the case that the trade unions of a country have to deal with a management that has only limited powers. Either steps must be taken to ensure that the management of a firm can provide the workers with all information relevant to their well-being and working conditions and also act with the necessary autonomy, or else group works councils or other appropriate labour representatives must be allowed to negotiate directly with the central management.

46. As a rule, at least one host country national should have a seat on the management board of the relevant firm.

47. Workers are to be informed and consulted in good time on matters affecting them and, in the event of mass layoffs, they must have an important voice in drawing up the labour phase-out plans. Moreover, workers must be guaranteed retention of pension and other acquired rights where their firm is involved in a merger. In addition, in the case of industrial labour disputes, operations carried out in some parts and branches of the enterprise should not be taken over by other parts or branches of the same enterprise in order to thwart the legitimate and legal objectives of workers.

48. The trade unions, workers bargaining units—where they exist—the direct representatives of the staff (works councils), or other duly constituted worker organisations must be recognised by multinational enterprises as contractual partners in negotiations on wage agreements and the fixing of work conditions of the workers employed in a firm. Also, efforts are to be taken to establish the framework for internationally valid collective bargaining agreements.

49. Multinational enterprises are to observe national and local employment and industrial relations laws, standards, and practices.

50. Multinational enterprises are to avoid discrimination on the basis of sex, age, religion, race, ethnic or national orignal or political activity.

51. Firms are to provide work in the host country for host country citizens. Local nationals should also serve on the management bodies of firms or subsidiaries.

TECHNOLOGY

52. MNEs should add to local scientific and technological capabilities and permit the dissemination of technological know-how on reasonable terms.

PERNICIOUS POLITICAL ACTIVITIES

53. Multinational enterprises shall not attempt to exercise undue influence over host country policies. In this connection, MNEs shall not make or be solicited to make payments in money or other things of value to host government officials (other than for manifest public purposes). MNEs shall not contribute to political parties or candidates in any way unless such contributions are lawful and details on the amounts and the beneficiaries are disclosed in a timely manner.

54. Governments are to adopt strong penalties for violations of this prohibition. Possible penalties include the denial of a business tax deduction for any such unlawful payments, heavy fines and/or prison sentences, and the denial of normal business tax treatment and benefits to any business income connected with such unlawful payments.

COMMENTS ON THE DRAFT CODE OF PRINCIPLES ON MULTINATIONAL ENTERPRISES AND GOVERNMENTS

Paper by Bill Archer

Since the Code of Principles on Multinational Enterprises and Governments is in draft form, I realise a great deal of the details and specifics have to be developed and, things being what they are, it will be some time before a final code of this type will be ready for presentation.

At this early stage I find the draft code's main goal to be correcting a number of social, economic and political problems concerning multinational corporations through increased governmental regulation and requiring these corporations to file additional information and reports with governmental agencies. While I feel these problems should be corrected, I do not think that increased governmental regulation of the magnitude suggested by the draft code is the correct way to solve these problems. In part, this view may reflect the United States' experience in the late 1960's with foreign investment controls and our current experience with the Employee Retirement Income Security Act of 1974 (ERISA) which was intended to correct various abuses in the pension area. Instead, ERISA has created many technical and administrative problems, while requiring numerous new forms and reports to be filed and regulations issued. It may also be based upon the fact that countries with large amounts of government regulation find it difficult to effectively compete in world markets.

ROLE OF STATE LAWS

One point about the draft code that strikes me is that it does not take into account the fact that U.S. corporations are created by, and also regulated under, state law. Thus, any body of rules seeking to regulate U.S. multinational corporations will have to consider this fact.

Philosophically, I do not approve of the draft code's provisions which may establish an international organisation to regulate multinational corporations, primarily because this organisation will require the kind of power that only an elected governing body should be granted. Perhaps the aspect of the draft code which disturbs me most is its failure to provide specific controls and limitations on (1) the kind of information that may be requested and (2) how this information is distributed. These controls are especially necessary to preserve the rights of those who are employed by multinationals.

With these introductory remarks in mind, I would now like to make some comments on the various subjects discussed in the draft code. Where necessary, I will refer to a specific paragraph number.

INTRODUCTORY REMARKS

Paragraph 5: The statement appears that multinationals must be under "political control" as distinguished from some type of governmental regulation. I do not know why this should be true or desirable, since it seems to be contrary to the idea of the free enterprise system. Under the term "political control" is correctly defined, the phrase and accompanying language should be deleted.

GENERAL FRAMEWORK

Paragraph 10 states that as a general rule, disputes are to be resolved in favour of host countries. This rule is not explained and is not helpful. It should be deleted.

Paragraph 11 establishes the basis for an international organisation to administer various agreements concerning multinational corporations. Although the exact duties of this organisation are not specified, it would seem that this organisation could be one of the most powerful and influential world bodies. In all probability, its daily activities would not be conducted or supervised by

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elected officials. Initially, I find the potential delegation of these vast powers to such an organisation unacceptable and undesirabe. In addition, because of the magnitude of its activities, such an organisation would not be able to function effectively. In short, I do not feel that an organisation of the type contemplated by paragraph 11 is the correct way to solve the problems concerning multinationals.

INFORMATION

Paragraph 14 will require a great deal more specificity regarding the additional types of information that may be requested. For example, exactly what types of information on research and development will be disclosed?

Paragraph 16 refers to "standardized annual accounts and reports for enterprises of a significant size". No indication is given as to the kinds of information that will be required or how it will be used or disclosed. These points must be clarified, if the privacy multinational employees is to be preserved and business secrets maintained.

COMPETITION

Since the United States' antitrust laws are generally more restrictive than those of its European trading partners, some "harmonisation" of these laws would be helpful, especially in the area of cartels. However, because of the amount of government ownership and involvement in business outside the US, I am not sure how effective this harmonisation would be. This may be what is referred to in paragraph 21 where it is stated that: "There appears to be a trend toward increased involvement of governments in enterprises, including direct ownership of firms. If this trend continues, it can be questioned whether such governments can continue to remain objective with regard to the enforcement of antitrust and other laws against enterprises in which they are involved, as opposed to other enterprises. Any dicrimination against foreign-based enterprises is also to be avoided".

While I agree with the statement in paragraph 20 that anti-competitive acts should be removed, I do not agree with the statement that implies that multinationals should provide all information requested by governmental enforcement authorities. The types of information that can be obtained must be designated to prevent abuses of individuals and corporations.

INVESTMENT POLICY

Paragraph 22 seems to imply prior governmental clearance for all types of business investments. It also subjects, in its present form, business to the possibility of being caught in the middle of political disputes between countries, an undesirable result. Initially the types of investments this paragraph contemplates should be stated and then considered by this body at some future date. I hope the intent of this provision is not to require all international investments to receive the prior approval of some governmental body.

Paragraph 24, because of its potential, deserves special comment. Initially, it discusses certain rules that are to be applied to foreign takeovers and states that those rules as well as ". . . other special investment regulations ought to be harmonized in an international agreement". The purpose of this agreement being ". . . to minimise distortions to trade and investment, harmonising incentives and disincentives and avoiding discrimination on the basis of country or origin".

There is no indication if this agreement is to be administered by an existing organisation or a newly created one. An existing organisation does not come to mind that has the staff or authority to carry out the objectives of the proposed international agreement. This would seem to mean that a new organistaion will have to be established to administer the international agreement. It is not clear if this is the same or a different organisation from that described in paragraph 11.

To be effective, the new organisation would require broad powers including ultimate authority over all major acquisitions and investments. "To minimise distortions to trade and investment . . ." the organisation may have to have some "input" in the economic policies of the various signatory countries. In short, the international agreement would cover areas broader than "foreign takeovers" and for reasons previously cited, I feel that the establishing of such an organisation is not a desirable objective.

FISCAL POLICY

A great deal of the material in this section concerns intercompany pricing rules and exchange of information procedures. I do not see why an additional body of rules for these areas is necessary since they are covered in detail in tax treaties between the industrialised countries. In addition, the US has an elaborate set of pricing rules issued under Section 482 of the Internal Revenue Code of 1954.

The "Tax Policy" statements appearing in paragraphs 27, 28, 32, 33 and 34 are out of place in a document such as the draft Code and should be deleted.

I think the statement appearing in paragraph 31 on bank secrecy should be deleted and no position on this matter taken until it is fully discussed and studied.

CAPITAL MARKET POLICY AND MONETARY POLICY

Paragraph 42, like many of the prior "information" paragraphs, requires clarification. I have difficulty in reconciling the numerous information requirements in the draft code with the Statement in paragraph 43 that "Government authorities are to avoid unduly restrictive capital controls . . .".

I would like to see some explanation as to why host country nationals must be given stock ownership rights. In the US, this decision is left to the individual corporate owners, a method I favour.

SOCIAL POLICY AND LABOUR MARKET POLICY

This section contains numerous statements concerning labour-management policies which are best left to individual companies and unions to decide. For example, it is very doubtful that an international collective bargaining agreement can adequately meet the needs of workers throughout the world.

As to local participation in corporate decision making, the requirement that nationals of the host country serve in management, seems to be well intended but does not appear to work well in practice. For example, this rule could lead to direct government participation in corporate decision, a practice not found in the US for various reasons.

TECHNOLOGY

The material on this subject is too brief in light of the importance of technology. For example, there is lacking even a general set of rules concerning the kind of protection that would be afforded trade secrets. Thus, a company which is capable of assembling the necessary financial and intellectual resources to develop a new process or product would apparently be required to immediately share its discovery with competitors, without receiving any benefit for its efforts. This type of system can only be viewed as counterproductive over the long term.

Another aspect of the technology materials which requires clarification is its relationship to existing patent and trademark laws. These laws generally afford protection for a specified number of years. Is it the intent of the materials in paragraph 52 to amend these laws in some way or to operate in conjunction with them?

An additional aspect of the material in paragraph 52 which should be clarified is to whom the technological know-how will be disseminated. That is, will multinationals be required to make technological information available to local educational institutions, governmental agencies, competitors or only some of these organisations?

Finally, there should be elaboration on the meaning of the phrase "reasonable terms". I'm not sure if these terms will be left to the interested parties to determine or if they will be established by some third paty—for example, the international body referred to in paragraph 11?

Unless these and related areas are clarified, much of the incentive for developing new technology may be removed by the draft code.

POLITICAL ACTIVITIES

I think a more specific body of rules relating to the political activities of multinationals should be developed. This is an area which can be considered by our organisation and should be. We should be able to develop a body of rules that would eliminate the current grey areas.

Amendments of the type I have suggested will improve the draft code but will not, in my opinion, cure its basic failure to fully protect the rights of sovereign governments, owners of MNE's and individual employees. The protection of these rights and the prevention of burdensome and costly administration requirements are an absolute essential in my view.

Thursday, April 22, 1976

SUMMARY OF DISCUSSION

Session IV—Political Aspects of the World Food Situation

(Working Documents: Mr. Houdet, Mr. Nolan and Mr. Symms) [1]

Mr. Nolan apologized for Mr. Symms' absence and presented the latter's report as well as his own.

The central topic of Mr. Symms' report concerned the best methods of exploiting the earth's resources and means of production. According to Mr. Symms, private property was the cornerstone in a program to fulfill the world's nutritional requirements. The Western world ought to put an end to its policy of food aid and subsidies. Only private ownership of the means of production would lead to rational conditions of production.

In his report, Mr. Symms quoted comparative figures for the USSR and the USA which highlighted the non-profitability of land in countries where there was no private ownership.

U.S.-U.S.S.R. GRAIN TRANSACTION

Mr. Nolan then passed on to his own report in which he described the grain agreement signed between the USA and the USSR covering shipments amounting to between six and eight million tons per year for five years. Those in favour of this agreement considered that it should lead to a better balance in feeding the world's population. He wondered, however, if this agreement would not also have undesirable effects on the market, in that it in some way withdrew from free circulation grain which until now had found a buyer on the "world market". He feared that in time of shortage, this agreement would remove from the market these quantities fixed in this bilateral agreement.

Apart from this, the USA had abandoned its attempts to influence the USSR in other sectors; this could have been a reciprocal concession in the grain agreement.

What else could be done at world level? The World Food Conference had planned an aid program amounting to 10 million tons of grain, of which the USA would supply 60%. Agreements between the developed countries might jeopardize this plan.

FAVORABLE U.S. AGRICULTURAL TRADE BALANCE

Mr. Houdet noted that in his report Mr. Nolan was in favour of world agreements and this was also the European Community's view. Passing on to bilateral relations, Mr. Houdet recalled the difficulties

[1] See pp. 43, 47, and 50, respectively.

encountered because of the U.S. attitude to certain imports coming from the Community (cheeses, Irish meat) although the balance of trade in agricultural products between these two countries seemed very largely favourable to the United States.

As for refunds, had the United States itself not granted subsidies to exporters for the sale of grain to the USSR in 1972? The Europeans for their part had been particularly badly hit by the 1973 restrictions on soy exports, and European agriculture had suffered from this for some time. As he mentioned in his report, Mr. Houdet considered that the European Community countries were fortunate to be in a temperate zone and to possess large tracts of arable land. It was therefore quite natural that they should be among the exporting countries and that they should contribute towards safeguarding world supplies.

It could be argued that in one sense the Lomé Convention was an extension to Article 29 of the Treaty of Rome, in that for certain imports, a price close to that obtaining in the EEC was granted to the ACP countries for particular products.[2] This was especially so in the case of sugar.

MULTILATERAL AGREEMENTS BACKED

The rapporteur ended by referring to the conclusion of his report in which he pointed out that multilateral agreements, together with certain medium-term contracts, formed a logical solution, even if this gave rise to certain difficulties of implementation.

Mr. Ryan established a link between the previous political debate and the present agricultural debate. Like Mr. Jahn, he pointed out that the world political situation was uneasy and noted that arms sales were increasing rapidly. Should we not be seeking a form of security other than one based on armaments? In fact, the number of countries which could be agriculturally self-supporting was decreasing. Could we not try to establish more positive links than armaments, for example, foodstuffs? Productive capacity was sufficient, the problem was rather one of distribution. Trade with certain countries could be increased without prejudice to a food-aid programme.

EXPORTING IDEOLOGY OPPOSED

Mr. de Koning agreed with Mr. Symms that private ownership was the basic concept for agriculture in Europe and the USA. But it was not necessarily the only method in the world. Everything was relative. The USA, New Zealand and Australia were at the top of the production league. In Europe we were trying to restructure our agriculture but this would take us until the end of the century. However, in other areas of the world, private initiative would certainly not be sufficient. Agricultural progress in China provided an example of a different approach. He could therefore not agree with Mr. Symms' idea of exporting our ideology.

Coming to Mr. Nolan's report, he commended the valuable information given in this document, even if he did think that the rapporteur

[2] The Lomé Convention of 1975 covered trade and development aid to 46 countries of Africa, The Caribbean and The Pacific areas (ACP) and The European Community.

had perhaps overstressed the drawbacks and underrated the advantages which the Soviet grain agreement could bring to the American economy.

Mr. de Koning thought that "Agricultural Power" could only be used to a limited extent. He welcomed, however, the attitude adopted by Mr. Nolan to the Community policy and finished by recommending that efforts should be made to coordinate the policies of the two giant partners in world trade.

HELSINKI ACCORD NEGLECTED

Mr. Stanton regretted that the détente preached in Helsinki was not being put into effect to the extent that it ought to be. He was sorry that Mr. Symms and Mr. Nolan had not taken greater account of the efforts made by the United States towards solving world food problems; positive steps had been taken here, although the percentage of farmers in the USA was very small compared with other economic groups. It was true that at world level trade in food was hampered by the basic problem of transporting foodstuffs.

Mr. Scott-Hopkins suggested that "Agricultural Power" was a two-edged sword. If the USA had not signed the grain agreement with the USSR the situation would have been even more serious. He simply thought that the USA could have obtained concessions from the Russians in other areas. As for Mr. Houdet's point of view on building up butter stocks, this would be real progress, though he doubted if this could stimulate agricultural production. Stocks should be held against a possible crisis. Food aid was not a permanent solution and we ought to be thinking in terms of sending machinery or seed or even technological aid to the developing countries.

CAUTION ON CONTROLS

He voiced some doubts on multilateral agreements, since he feared these might lead to a situation where the markets were too closely controlled. A first stake might be bilateral agreements, particularly between the USA and the EEC, for strategic food products.

Mr. Ryan replied by stressing that agricultural trade was indeed a true political weapon. He would have preferred not signing the grain agreement with the USSR, which was very expensive for the United States, but rather that the USA should have been a member of a world consortium.

According to Mr. Fraser, many Americans were not in favour of the grain agreement. However, it must be taken into account that if the Americans had refused the USSR would have signed this agreement with other countries.

He pointed out the inflationary effect of the large purchase of cereals by the USSR in 1972. For this reason resolute steps had to be taken towards building up world stocks which could be used in time of crisis, but the main point for discussion was whether a prices policy clause was necessary or whether the quantitative element was the most important consideration.

PAPERS

PROSPECTS FOR AN EEC AGRICULTURAL EXPORTS POLICY

Paper by Roger Houdet

The subject suggested for examination by your rapporteur leaves him somewhat perplexed, for while it is true that the Community exports agricultural produce, it can hardly be said that it has any guiding principle in the matter.

Yet the problem of exports is of concern as much to the farmers as to the Community's Council which, on the occasion of the common agricultural policy stocktaking in November last, admitted the need for the Community "to be represented on the world market by its agricultural exports".

Having set out in the first part of this paper, the reasons which should induce the Community to adopt an agricultural exports policy, your rapporteur will examine it, in the second part, the framework in which such a policy could be achieved.

I. Reasons for an Agricultural Exports Policy

A. Developments

1. After a long period of prosperity, the world economy recently suffered a crisis, from which it is recovering only slowly at the economic level, and which continues unabated in the international monetary sphere. There are some, indeed, who wonder whether one of the causes of the 1973 crisis, even before the oil price increase, had not been the record purchase by the USSR from the USA of 29 million tons of grain. It resulted in a steep price rise for grain (soft wheat tripled), which spread to a number of other agricultural products. The farmers then had the benefit of the exceptional harvest of 1973/74, though it should be noted that it was less profitable to European farmers, as the price stabilization policy rightly pursued by the Community worked to their disadvantaged. Thereafter, the interplay of rapidly rising production costs and falling market prices in real terms reversed the situation once again, from the 1974/75 harvest onwards.

This series of events has focused attention on a number of factors, some of which are old, but were thought to have virtually ceased to operate, others new.

2. To the first category belongs the extreme sensitivity of agricultural commodity markets to variations in supply and demand, due to the relatively small volume of agricultural commodity trade in comparison with total consumption. Thus for grain, in which trade is the most substantial, this trade represents only about one-sixth of world output.

3. Among the second category is the Europeans' new awareness of the extent of their dependence on third countries, particularly the USA, for supplies of soya, maize and even fishmeal, now that these products have become an essential constituent of animal feeds. The Europeans have also discovered how much of an economic whip-hand the United States have thanks to their agricultural exports. These account for 22 to 25 percent of their total exports, as against 10 percent for the EEC. Again, the Europeans have come to appreciate that USA exports of agricultural products and foodstuffs are twice the size of the corresponding imports, while in the Community the situation is just the reverse.

This is a fact of particular importance for the United States' economic life, even though thanks to their domestic petroleum production, they have not had to suffer the consequences of the oil crisis as acutely as the EEC.

B. Comments

4. This has prompted the Europeans to reflect whether their rather passive attitude to agricultural exports should not be revised and give way to a more active policy.

Various considerations come into play.

5. As the principal customer for US agricultural produce, the Community Nine are surprised to note some protectionist trends in their relations with the USA (at the Munich meeting we referred to the problem of cheese exports to the USA who have reduced them by approximately 50 percent; today we must draw attention to the suspension of imports of Irish meat) when the Community puts zero duty on imports of American soy beans which are a factor of its milk production.

6. Looking beyond these bilateral relations, the Europeans point to the element of stability in the Community's agricultural output. Its agricultural production is carried on in a temperate zone and is thus less subject to variations than those of other countries or groupings of countries in other parts of the world.

Both the USA, where certain States have been suffering a drought, and the USSR, where the climate is becoming colder, are subject to climatic swings much more violent than in Europe. In a world context, therefore, it would be bad economics to force Europe to restrict its agricultural output.

7. Some European experts have, it is true, pointed to the dangers of overproduction, due mainly to the considerable technological progress in agriculture of the last two decades, and have been calling for a rational prices policy that would not encourage farmers to raise output too much. Against this, however, our costly experience in the energy sector, where coal output had been deliberately slowed down while nothing was done to promote the search for alternative energy sources, argues for priority to security of supplies, with price levels a secondary consideration.

8. The discussion, in fact, should be properly placed in the framework of the world as a whole, where the contrast is continually sharpening between the rich nations who eat as much as they want, and some Third World countries where hunger follows bad weather spells or is actually endemic. To this must be added the fact that the developed countries are consuming increasing quantities of processed foods, which, insofar as they are cereal-based, represent an additional drain on the poor regions' food resources. The imbalance between the "fed" and the "hungry" is reflected in the alarm that the FAO has been sounding for years now over the threat of severe shortages, not to say famine as a result of the world's population growth.

9. Food aid, of course, is one way to bring immediate relief in the most desperate cases, but while it can replace a medium-term programme of income redistribution between the rich and the developing nations, it cannot be considered a solution for the very long run, as development of the countries which are underprivileged today must, at least for those which possess cultivable land, proceed through the expansion of their agricultural production.

10. What the developed countries can, however, do is to commercially export such agricultural products as are complementary to those that the developing countries are potentially able to sell.

As regards the developed countries, we should also keep in mind the role played by agriculture in their economies and the exigencies consequent on that role. The agricultural sector is closely linked, at one end with industries manufacturing the means of production, at the other, with the food and agricultural product processing industries. If a level of agricultural productive capacity sufficient to maintain the activity of these other sectors is to be preserved, incomes in agriculture must remain comparable to those of other economic sectors—which is not everywhere the case—comparable, what is more, to incomes which, except for the conditions of high unemployment created by the crisis, have been steadily rising in recent decades.

11. All these facts, together with the social aspect which must not be overlooked for those Community countries where the proportion of farm population is high, argue in favour of maintaining a fair amount of agricultural activity with gradual improvement of the conditions of production throughout structural reforms.

II. Framework for a Policy of Agricultural Exports

Setting aside food-aid programs, your rapporteur proposes to examine in turn some of the major agricultural commodities and then to deal with the legal aspects.

A. Some major commodities

12. For any commercial exports, the prime question is competitiveness. The Community has often been accused of promoting competitiveness through export refunds. But are such accusations really warranted, when we know that the Community is by no means alone in subsidizing exports? Nor should the price fluctuations referred to in the first part of this paper be forgotten. Is it generally realized that powdered milk is offered on the world markets today at $275 a ton, while last year it was selling at $1000, whereas in 1971, when world prices were booming, the Community was obliged to restrict exports to prevent shortages within the Six?

The example of sugar price fluctuations is still fresh in our minds. In the course of 1973–74 they varied by a factor of as much as five.

13. Apart from the exceptional present situation with regard to milk powder which may, in fact, prompt the Community to restrict its output by making the producers bear more of the responsibility for the management of that market, it would seem that European agricultural producers can normally compete with their American counterparts. For in the agricultural sector the major factor on production costs is labor, but there is no international market for drinking milk, and the world market for butter is virtually saturated. This is why present Community thinking turns on exporting milk powder to developing countries where reconstitution plants would be installed. It is a logical line of thought, since such a solution would both meet a trading need and the Community's justifiable desire to obtain some recompense for the generous concessions made to the developing countries under the Lomé Convention, and, under other agreements, to the Mediterranean countries—concessions mostly disadvantageous to Community farmers. Admittedly, the Community would then have to face the question of the internal sharing out of the burdens and benefits of any such agreements, since the sectors with export potential are not necessary identical with those which are exposed to increased competition from imports from, say, the Mediterranean countries.

14. Grain is another sector with export potential. The peculiar conditions of 1973 have already been described. Since then, world prices have dropped again, but to nothing like their former levels.

How will the relative price levels for grain evolve in the EEC and the USA, the world's principal exporter? Present market trends suggest that the prices will converge. It can, in fact, be predicted that European prices in real terms will fall (as has been happening since the fixing of the common prices), while in America they will rise as inferior land, entailing higher production costs, is returned to cultivation.

15. Sugar is a sector which is always difficult to discuss, since sugar cane is a major source of revenue for many developing countries. But the demand for sugar is great, while international trade in the commodity, at barely 10% of world output (both beet and cane) is very small, and the competitiveness of this commodity is tending to even out between the developed and the developing countries. Thus, under the Lomé Convention the signatories have been granted in fact, if not on paper, a price equivalent to that obtaining in the EEC.

B. The legal aspects

16. The Community has in mind medium-term agreements, principally with countries which are geographically close or with which more general trade agreements already exist. It was thus that an agreement with Egypt, under which 1 million tons of grain over a five-year period, as well as quantities of milk powder were to be supplied, was drawn up. This project met with some reservations from certain EEC countries, hestitant about embarking on a policy of exports. The Egyptians, on their part, seem to have meanwhile lost interest in the agreement, because it fixed the price of milk powder, which, as the market crumbled, struck them as too high. But a rather disquieting aspect of this affair is the report that the USA is said to have offered Egypt very long (40 year) credit at very low rates, particularly for grain deliveries.

17. Other Mediterranean countries have asked to negotiate with the EEC. Obviously, Community farmers are in favor of these negotiations, for the reasons which have already been explained. It should be noted that agreements of this type, while they fit into the concept of helping to offset the concessions granted

by the EEC, or, if concluded with oil-producing countries, could improve the Community's balance of trade, concern quantities of commodities too small to jeopardize in any way the Community's proposals within GATT for world-wide agreements comprising the build-up of buffer stocks. The relevant mechanisms proposed by the EEC have been described by your rapporteur in the paper drawn up for the 1974 Florence meeting with the United States Congress Delegation, and the document is submitted to the present meeting again.

Your rapporteur was happy to observe at earlier meetings that the US Congress Delegation was in broad agreement with the views here propounded, but he is astonished at the slowness of the discussions in GATT on this subject, due, it appears, to the unforthcoming attitude of the United States, despite the fact that other delegates support the EEC's proposal.

Conclusion

18. In the face of the disparities to be seen in the agricultural domain, particularly the contrast between a world food shortage and the fortuitous, or sometimes structural, surpluses occurring at the regional level, and in view of the competition which may arise among developed countries for the conclusion of medium-term contracts, the logical solution still lies in multilateral contracts providing for the build-up of buffer stocks, in financing agreements, in price-review clauses and, possibly, in joint action on conditions determining output. It is certainly not an easy solution and requires, moreover, the participation of all the countries concerned in the international agricultural commodity trade, both exporters and importers who pay their way. However, the details of this participation go beyond the purely economic and touch upon the political, a sphere on which rapporteur does not intend, in this working paper, to encroach.

POLITICAL ASPECTS OF THE WORLD FOOD SITUATION: U.S.-U.S.S.R. GRAIN AGREEMENT

Paper by Richard Nolan

On October 20, 1975, President Ford approved an agreement between the United States and the Soviet Union for the sale of at least 6 million metric tons[1] of US grain a year over the next five years. The agreement commits the the Soviets to purchase a minimum of 6 million tons of wheat and corn annually and provides for consultation with the US government if the Soviets wish to buy more than 8 million tons a year. If the total US supply of grain falls below 225 million metric tons, the United States government may reduce sales to the USSR below the 6 million ton minimum. The agreement also forbids the re-export of US grain by the Soviet Union to other nations, although it does not affect shipments of Soviet grain surpluses. Only wheat and corn are covered by the agreement, leaving sales of barley, grain sorghum, oats, rice and other commodities unaffected.

At the same time the grain agreement was signed, a letter of intent was approved providing for the sale of Soviet petroleum and petroleum products to the United States. The letter of intent contemplated annual USSR sales of up to 200,000 barrels a day of oil with prices to be mutually agreed upon. At present, the negotiations have been suspended because of failure to argee on a shipping rate formula.

The agreement is scheduled to go into effect in October 1976. Serious questions remain regarding the impact of this agreement on the world food situation, on the developing nations, on America's regular customers, and on the ability of the American farmer to continue producing abundantly.

WORLD FOOD BALANCES

The United States remains the largest producer and exporter of agricultural commodities. The efficiency of our producers and the productivity of our farmland have permitted us to supply more than half the grain moving in world trade. During the 1975/76 marketing year, the US is expected to supply about 50 percent of the world's trade in wheat and 55 percent of the feed grains. US exports have accounted for nearly all of the increase in the world grain trade in the last five years.

During this same period, severe weather conditions in Africa, Asia and Australia have reduced the total world food supply dramtically. Grain stocks in the major food exporting nations declined 40 percent between 1972 and 1973. In 1961, world reserves were at a level which would provide for 95 days of world consumption. By 1975, that figure had been reduced substantially. At the beginning of the 1975/76 marketing year, reserve stocks in the five major exporting nations were down to 21 pounds per capita for the world's population. This is equal to only 3 days food at US rates of consumption and 21 days consumption at the rate of the world's poorest countries.

At the same time, inclement weather and the Soviet drive to increase livestock production have forced the Russians into the international grain market, thus causing enormous fluctuations in world prices. In recent years, the USSR had joined the European Community and Japan as a net importer of grain. While the Soviets have about 43 percent more land under cultivation than the US, total Russian farm production is less. Estimates of total farm output indicate that for 1966–71, Soviet output is 77 percent to 91 percent as large as US farm output. Large areas of Soviet agricultural land are subject to a short growing season and frequent droughts. Faced with unreliable crop production, there is every reason to believe that the Soviets will continue to contribute to an erratic and volatile world market.

[1] A metric ton is 1000 kilograms or approximately 2,200 lbs.

IMPACT OF U.S.–U.S.S.R. GRAIN AGREEMENT

It was in the face of the dramatic drop in the world grain reserves that the United States and the Soviet Union entered into this major grain agreement. Proponents of the agreement argue that it will stabilize the world market, that increased stability will assist American farmers in setting production goals and will encourage increased production in the U.S. Additional stability, it is contended, will provide other industrialised and developing nations with greater confidence in the US as a source of supply. In addition, it is argued, the agreement will encourage the Soviets to establish their own grain reserve by obligating them to purchase grain in years in which they have a domestic surplus.

In my judgment, there is serious question whether the US–USSR grain agreement will achieve the goal of stabilising world markets, increasing production, and encouraging additional grain reserves. In addition, it could have serious detrimental effects on the international market and upon the American farmer. There is no doubt that the recent large purchases by the Soviet Union have contributed substantially to a volatile world market. However, it is likely that the agreement will serve only to stabilise the market between the United States and the Soviet Union. It may smooth out price fluctuations for those countries who make their purchases solely from the United States or the Soviet Union. but in the event of a world-wide shortfall, it could encourage even greater fluctuations in prices between other countries.

It is naive to believe that we can stabilise the world market with a bilateral agreement which represents only a small portion of the total world grain trade. In 1975/76, the total world trade in grain is estimated to reach 158.8 million metric tons. The 6 million ton purchase agreed to by the Soviets represents only 3.8 percent of that trade. In addition, it represents only 7.2 percent of United States grain exports.

The U.S.-Soviet agreement might induce the Russians to build a grain reserve, but it does not require them to do so. The Soviets have set a goal for themselves of increasing their grain storage capacity by 40 million tons over the next five years. While the agreement encourages the use of this capacity in years of surplus by preventing re-sale of U.S. grain, it does not prohibit the Soviets selling their own surpluses to other nations. Unless the agreement actually encourages the Soviets to build a reserve, it will not substantially reduce the volatility of the world market.

Some members of the United States Congress have questioned whether the Soviet Union will meet its obligations under the agreement. I am confident that they will do so. Soviet crop production is susceptible to enormous fluctuations. It was revealed recently that the Russians proposed a long-term agreement in the summer of 1973, but the offer was rejected by the U.S. This is a clear indication they have long believed it was in their best interest to enter into such an agreement.

LEVERAGE MAY HAVE BEEN LOST

The United States, on the other hand, may have forfeited its principal source of leverage with the Soviet Union for the next five years. The United States may have sacrificed the opportunity to force Soviet cooperation with the U.S. and the international community in other areas.

Absent this advantage, it is questionable whether such an agreement can be justified by U.S. policy-makers considering the adverse impact it could have on the American farmer. The 8 million ton limitation in the agreement may act as a ceiling on Soviet grain purchases. It is possible the Soviet Union may have purchased the amounts of grain specified in the agreement in any case since the average Soviet purchase over the last four years has been well over 6 million tons. In addition, there is fear that the 225 million ton level for U.S. stocks may act as a trigger for government intervention in all export sales. American producers worry that the U.S. may be prepared to reduce exports from all other countries when the trigger level is reached, and that a policy of close control of exports could serve as a mechanism for imposing a price ceiling in the U.S. The American farmer is rightly asking whether any advantages have accrued to him as a result of this agreement and whether these advantages are worth the intervention in the market place which is likely to result.

Because the American farmer has interpreted this action on the part of the United States Government as a move toward imposing a price ceiling, he is requesting U.S. policy-makers to provide him with a reciprocal promise of a guaranteed price floor. Until such time as the U.S. Government is willing to assure its domestic producers that they will receive a price which will cover their cost of production, the American farmer is going to be unwilling to engage in all-out production. In my judgment, it will be difficult to encourage the American farmer to engage in the maximum production necessary to meet world food needs until he is assured of stable and profitable prices for his product.

MULTINATIONAL AGREEMENT

World hunger not only haunts our conscience but it threatens our world's long-range stability. The World Food Conference established an annual food aid target of 10 million tons beginning in 1975. The U.S. alone plans to ship 60 percent of the target in 1975/76. However, world food supplies remain dangerously low.

The vulnerability of our total food supply indicates that we must work together to attack the problem of world hunger. This problem will not be solved by increasing the number of bilateral agreements such as that between the US and the USSR. The stability of the world market will not be substantially increased through a series of such one dimensional agreements, nor will we have improved the international balance of food. There is a serious question whether an agreement between two of the world's major producers of food is appropriate when so much of the world's population is in need of food assistance. Without a rational plan to balance world food needs, we may discover that the sum of the parts is greater than the whole. We may find that a series of bilateral agreements between the developed nations of the world has pre-empted the food supply necessary to meet the needs of the world's hungry.

What we need is an international commodity agreement in which the entire international community participates and for which the entire international community takes responsibility. Rather than a series of bilateral agreements between nations, we should encourage the importing and exporting countries of the world to clearly set forth their reciprocal benefits and obligations. We need to reach a world agreement which will clearly set out our international needs so that American farmers, and our foreign customers know where they stand.

If the American farmer is to continue to engage in all-out production so that the United States can remain a reliable supplier of food, he must be assured that his own increased production will not be used to depress world prices. The European Community has done an effective job of insuring that its producers and consumers are protected from harmful fluctuations in world markets. This has permitted European farmers to continue producing food for European tables. If we are to ask farmers around the world to engage in maximum production and to contribute to a world food reserve, we must provide them with similar assurances that they will realize a price which will cover their costs and permit them to plant new acres. American farmers are willing to participate in a plan which will provide an abundant supply of food even in years of a world shortage if they receive a reciprocal guarantee that their prices will not be depressed in years of surplus.

We cannot ignore the problem of world hunger. If the United States, the Soviet Union or the European Community is going to enter into international food agreements, it must be with full consideration for the needs of all the nations of the world. We must all take the responsibility of assuring that no man goes hungry. We are talking about a two-fold obligation. First, to assure once and for all that no person in this world is without food, and second, to assure that our agricultural producers receive the compensation they need to make that end a real and possible goal. Eliminating hunger must be a world effort, a goal all men pursue, and it will be an end from which all men will benefit.

POLITICAL ASPECTS OF THE WORLD FOOD SITUATION

Paper by Steven Symms[1]

I am thankful for the opportunity to speak to this distinguished gathering today on the subject of agricultural trade with the Soviet Union. I expect to learn a great deal from our exchange of ideas and hope I can offer something fresh and worthwhile to these discussions.

The world has approximately 4.2 billion people, and we are increasing our population by 70 million per year, or put in different terms, every year enough people are born to equal 20 times the population of the Republic of Ireland Of these billions, about 4.6 million are suffering from the effects of malnutrition and 40 percent of these people are children.

For at least 60 known centuries, this planet that we call Earth has been inhabited by human beings not much different from ourselves. Their desire to live has been just as strong as ours. They have had at least as much physical strength as the average person of today, and among them have been men and women of great intelligence. But down through the ages, most human beings have gone hungry, and many have always starved.

Sales of agricultural products to the Soviet Union in recent years have been an important factor in keeping the Russian people from going hungry and in making US agriculture one of the most fully-employed and productive areas in the nation's economy. Our agricultural exports have shot up from $7.6 billion in 1971 to $22.6 billion in 1975, enhancing our balance of trade. In buying grain from us, the Soviets are paying in US dollars which they are getting by selling large amounts of their gold on world markets. On the whole, many think the sales have been helpful to both parties. They could, if put into proper perspective, be a model lesson for the world and the feeding of all its people.

A MIXED BLESSING

Of course, these transactions have been a mixed blessing from the American viewpoint. American farmers were enthused about the prospects of new markets, and the sales helped the US balance of payments. Many of us still vividly recall the first US-Soviet grain sale in 1972. At that time our taxpayers were obliged to finance $300 million in export subsidies and another $400 million in transportation subsidies to insure that while Americans were buying domestic wheat at $2.12 per bushel, the Soviets would only pay $1.65 per bushel. Our Commodity Credit Corporation financed the deal with $750 million in American taxes at an interest rate slightly lower than what the US must borrow at in the marketplace. In addition, the sales to Russia created massive shortages in the US grain supply which were partly responsible for the food price increases that followed. American consumers ended up paying at least $2 billion more for their food during the nine months following the 1972 election year grain deal.

While Americans were paying 49 cents for a loaf of bread, Russian housewives were paying 23 cents for US grain-enriched two pound loaves on the streets of Moscow. In fact, the Russian people were feeding the cheap bread to their cows. The Kremlin permits individuals to own one cow, but feeding the animals presents a problem because most of the pasture land is held by collective or state farms. So Russians were feeding their cows cheap bread made with US grain, while their government carefully censored from them the fact that they were purchasing US grain at all.

The total cost of the Russian grain deal to the American public was close to $4 billion. Some Americans said, "That's a high price to pay for a $1 billion credit transaction!"

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[1] This paper was summarized for Mr. Symms, in his absence, by Mr. Nolan. See p. 39.

ANOTHER BAD EXPERIENCE

Last year our country had another bad experience over Soviet grain sales. This time the circumstances were far different and it was the American farmer who bore the brunt of the problem. But, as in the 1972 sales, the fault rested not with the Russians but with our own government. The US Government told our farmers to plant from fence to fence and assured them they could sell on the open market, anywhere, anytime, anyplace as long as it was for cash. The US Government assured them of continued markets in the Soviet Union and they planned accordingly. But then our government changed the rules in the middle of the game by suddenly putting an embargo on further grain sales to Russia. By doing so, it simply encouraged the Russians to go elsewhere to buy 15 million tons of grain. Our government was not living up to its commitments to our nation's farmers. By not playing according to the rules it had agreed to, it caused the farmers to lose sales of an estimated $2.2 billion or more.

Hopefully, America and the rest of the Free World have learned from these past mistakes and in the future will set policies which are logical and consistent—policies which the taxpayers, farmers, and consumers can all live with. Much of the problem in the past has sprung from the fact that transactions with the Soviet Union are not genuinely free market in nature. It is not Western businessmen dealing with Soviet businessmen. It is Western businessmen dealing with Soviet bureaucrats—an open, free society dealing with a closed, controlled society. This has created, as we have witnessed, a number of distortionary effects on the free economies. In agricultural markets, strongly fluctuating and exaggerated demands can raise instant havoc and cause tremendous distortions in price and supply. Trade policies of the Free World nations must reflect the dangers and pitfalls that exist when dealing with communistic, non-market countries, and must incorporate various safeguards that will protect our interests, such as earnest money payments in advance for a long-term agreement. My colleague, Congressman Nolan, will cover this subject in some detail in his presentation, so permit me to digress at this point to some personal observations on other aspects of the Soviet-US trade question and on the question of food shortages in general. These, I think, offer the most significant lessons for all peoples and nations around the world.

Why is it that Russia, once a grain exporter, in 1973 set a record by importing more food supplies than any other nation in history? Many of those record-breaking imports came from the United States, even though the US devotes only one-third as many acres to wheat production as Russia does.

Why is it that Russia is experiencing massive food shortages each year even though one-third of their total population works in farming? In the United States approximately 4 per cent of the population are on the farms.

Why is it that in many areas of Russia, agricultural production is actually below the levels of 1913? Agricultural advancement in the US since that year has been enormous.

BAD WEATHER CONDITIONS

Soviet leaders blame it all on the weather. I don't doubt that they've experienced some inclement conditions. But every year? And what is interesting to me are the reports I hear of bountiful harvests which exist in that country on the scattered plots of privately owned land. We have all heard the accounts of private entrepreneurs who are supplying the Russian people with privately produced fresh produce, such as the famous tangerine caper, on the black market. Many Russians would otherwise be unable to purchase any fresh fruits or vegetables, owing to their extreme scarcity in that country. But don't the private parcels of land experience the same weather conditions? Of course, Pravda and Radio Moscow would have us believe that there are freezes and droughts on the collective farms while adjacent private lands are receiving the perfect combinations of temperature and rainfall. In the Rocky Mountains of America we have saying—we love the weather, rain, snow, hot or cold, because it comes from God and not the government. Evidently in Russia the weather comes from the government and is consequently bad.

I contend that the current shortages of food supplies both in Russia and around the world derive not from weather or agricultural failures, but from ideological failures. In the Soviet Union and other socialistic countries, collectivisation of farming has destroyed all incentive to produce.

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Collectivised farming has been notoriously inefficient since its bloody inception. Peasant resistance took the form of armed revolt and sabotage at the start, but now it has been replaced by a heavy, uncaring lethargy. Paltry incentives and a marginal existence have produced millions of farmers in Russia whose chief ambition is to get a job in the city. Evidence of the deadening effect of the collectivised farm system is seen everywhere in that country. For example, there are numerous reports of heavy damage to state crops because the peasants do nothing to keep the weeds under control. Fields become a sea of weeds, making it difficult to see the grain because there are three or four times as much wild oats and thistles.

The Soviet bureaucrats and master planners, of course, continue on their merry way, unable to see the forest for the trees. They promise to solve all the shortage problems with heavier doses of collectivism and coercion. During their latest five year plan, for example, the Soviet Union plunged into the meat business with a $70 billion investment in livestock breeding. Most of the money went into vast, factory-style production centres so that by the end of 1974 the country had 400 mechanised stock breeding complexes and 584 poultry factories. The plants are literally enormous. Some of the hog fattening centres, for instance, can handle 180,000 pigs at a time.

FEED GRAIN PROBLEM

However, there was one thing the Russian planners didn't count on—something that private investors would have known right away. Costs make the entire project unfeasible. They discovered after building the plants that the only way to produce meat on so large a scale is to feed grain to the animals—and it takes far more grain to produce a pound of meat protein than if the protein were eaten directly as bread. Since the Soviet Union is unable to raise such feed grains as corn and soybeans, valuable wheat often is diverted to use as animal fodder.

Contrast these conditions with those of American agriculture. A single US farm worker supplies on the average enough food and fibre for 56 people. His output is twelve times greater than that of a Soviet worker. American farmers constitute one tenth of one percent of the world's population, but feed 25 percent or more. The food they produce is at the lowest possible cost to consumers. The average US citizen today spends only 17½ percent of his paycheque on food.

It is no coincidence that from the small tracts of private land in Russia, which contitute only 3.5 percent of the land under cultivation, the state receives 20 percent of all its potatoes, 37 percent of its eggs, 18 percent of all wool, 18 percent of its meat and poultry, 18 percent of its green vegetables and 95 percent of its flowers. This is in addition to the large quantities of private produce from this land which is sold on the open market. It is an amazing testimony to the success of private enterprise, right within the borders of the Soviet Union.

ROLE OF HUMAN NATURE

Why does private agriculture work while collectivised, government controlled farming doesn't? It works because it upholds three very basic principles of human nature and therefore supplies the necessary incentives for people to become creative and productive. First, it recognises that people need rewards for their work and that the rewards must be proportional to the level of productivity. Second, it recognises that owning one's own land is a basic human desire. Finally, it recognises that people work best when allowed to develop and use their own solutions to the problems and opportunities around them without being unduly hemmed in by regulations, licenses and artificial restrictions. In other words, human beings must be free to be productive.

The Soviet Union and other non-market countries have been violating these basic principles, and as a result have developed an agricultural system based on minimum human motivation and creativity. It is safe to say that the Russians will likely continue to experience food shortage difficulties in the years ahead and that they will therefore remain a lucrative, if not reliable, market for Western agricultural exports. The same may also be true for Mainland China, India, and most of the Third World.

However, what I am proposing today is that we export more than food to these countries. I submit that we should export the ideas of free, private initiative, too. This, in the final analysis, is the biggest contribution Free nations can make to the world's hungry masses.

A major fact which many people have not fully understood is the high level of technology required to develop and maintain modern agriculture. For many years, people have laboured under the mistaken belief that industrialisation represented the highest level of civilisation. We were taught that men first lived in caves and hunted, then they developed farming and villages, and later developed cities and industrialisation. The idea which was not taught was that after industrialisation men developed modern agriculture.

At first glance, it would seem more difficult to build aeroplanes, automobiles, and television sets than it is to raise food. However, it is actually much harder and it requires a much higher level of technology to grow food than to do almost any other activity.

ASSEMBLY LINE PROCESS

A minute of thought will make this clear. If a team of developers goes to a developing country to build TV sets, their problem is relatively simple: the factory must be built, component supplies located in some convenient country must be found, and then local people must be trained to work on the assembly lines.

It is quite possible to take young men and women from very primitive surroundings and, within a few weeks or a few months training, prepare them to carry out their particular limited responsibilities on that assembly line.

However, with modern agriculture the problem is entirely different. It is true you can supply chemicals and machines, but the local person who is in charge of the land must know how to farm. This requires a sophisticated understanding of managerial skills, a high level of training in the use and maintenance of equipment, a working knowledge in the use of modern agricultural chemicals, and a knowledge of soil, climate, and plant diseases which can only be achieved with intensive and lengthy training.

Having once recognised these two facts: (1) The need for an economic and political system which releases rather than destroys individual energy and creativity, and (2) the high level of technology and technical training required, then we must decide what we can do to increase food production around the world.

I am proposing that we make serious efforts, regardless of the political or economic system we are dealing with in a food-short country, to insure that the farmers are allowed to own the land which they farm. I am talking about the men and women who actually go out on the land, plant the seeds and harvest the crops; not the politicians, not the planners, not the experts, but the farmers. This means they must not be burdened with impossible debt and they must not be subject to irrational regulations in the use of their land. They must truly be able to go to their house or cottage or hut in the evening, sit down with their family at their own table, look out the window at a growing crop, and quietly say to themselves: This is mine, this is my land, this is my crop—I am in charge of my own life.

END FOOD GIVEAWAYS

The following are proposals I wish to recommend to free nations wishing to spread the doctrine of agricultural free enterprise to the nations which need it most. First, I would recommend that the West terminate virtually all foreign aid food giveaways, except in cases of disaster relief. Let these nations pay for the fruits of our free economies. Let them think about what it is costing them to maintain their inefficient, collectivist systems. This is especially applicable to the Third World nations. Most of these countries are young and in the early developmental stages. Now is the crucial time in their histories when they must decide what kind of economic system they want. Freedom or coercion? Abundance or starvation?

Secondly, I would recommend that all agricultural transactions with nonmarket countries be done on a cash and carry basis. No subsidies and soft loans, courtesy of our overtaxed citizens. The easier we make it for these countries, the less reason they will see to reform their archaic feudal systems. Russia and Communist China would be the countries most affected by this policy. In the case of Russia, I would prefer that they pay the United States in gold. Russia possesses about $8 billion in gold reserves and is the second largest producer of that metal in the world. She can spare the gold and we in America can certainly use it to help stabilise our currency. It makes good sense all the way around.

Third, we need to encourage joint ventures of Western agri-business and food processing to the Third World countries. And as I mentioned earlier, the farmers in these nations should be able to own their own land.

One final note. I know there are those, including some in my own country, who urge that we move in the exact opposite direction from what I propose. Rather than strengthening our respective free enterprise systems and exporting these ideas abroad, they would have us move closer to the socialised Russian system. In the case of the United States, this could certainly be done in all areas of economic activity. We could be just like the Soviet Union after a little work. All we would have to do is reduce our paycheques by 75 percent, move 60 million workers back to the farm, abandon two-thirds of our steel making capacity, destroy 40 million TV sets, tear up 14 out of 15 miles of our highways, junk 19 out of 20 of our automobiles, tear up two-thirds of our railroad tracks, knock down 70 percent of our houses, rip out nine-tenths of our telephones, and then all we would have to do is find a capitalist country willing to sell us wheat on credit so we wouldn't starve.

But frankly, I think the American people are happy with what they've got.

Friday, April 23, 1976

SUMMARY OF DISCUSSION

Session V—American and European Positions on the Mediterranean

(Working Documents: Mr. Normanton and Mr. Ryan) [1]

The debate was opened with Mr. Rosenthal in the chair.

Mr. Ryan outlined his working document. He raised the following points in particular:

The indivisibility of American and European interests;

Whether the US military presence could continue in some locations, such as Greece and Turkey;

The emotional connotations of the term "communism" in American society and the pressure on election candidates to adopt a totally hostile attitude to it;

The role of the Italian Communist Party in Europe; and

The fact that NATO was strong enough militarily to divert some of its attention to other matters.

Mr. Normanton then introduced his working documents with these comments:

From the point of view of the United States, European integration was primarily a stage in the strengthening of Western defense. By contrast, the importance of the European Community to European countries was above all economic. But although defense matters were expressly excluded from the terms of reference of the Treaty of Rome, they had been increasingly raised by the European Parliament in the last three years. Before 1973 this would have been unthinkable.

EC ROLE IN FOREIGN POLICY

There was a growing awareness in the Community institutions that external economic policy formed part of overall foreign policy. Recent political developments in other countries—Greece, Portugal, Spain and Iceland—had confirmed this view. Flexible interpretation of the Treaty of Rome was therefore called for. The European Parliament was keeping abreast of these developments. In the Mediterranean the position of Yugoslavia could become critical when President Tito left the political scene.

CYPRUS PROSPECTS BLEAK

Mr. Solarz referred to his recent visits to Greece, Turkey and Cyprus. The prospects for a solution to the Cyprus problem were bleak in his view. He had the impression that both sides wished to maintain the

[1] See pp. 59 and 66, respectively

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status quo. Although he felt as a result of private talks that some form of participation was generally favored, neither side was ready to make concessions. With Greece, the refugee problem was a central issue.

The continuation of the American arms embargo against Turkey would only strengthen Turkish resistence to a solution and foster Greek illusions. He urged the total lifting of the embargo and approval by Congress of the agreements recently arranged by the United States with Greece and Turkey concerning military bases in both countries. Rejection of these agreements by Congress could force Turkey to seek other allies. Greece had, moreover, more to fear in the long term from the Soviet Union than from Turkey. He hoped that America's allies in the European Community would continue to stress the importance of full Greek and Turkish membership of NATO.

Mr. Pisoni also wondered about possible developments in Yugoslavia in the post-Tito period. He felt that Mr. Ryan had a very superficial view of Communism in Italy and warned against jumping to conclusions.

CLOSE RELATION OF U.S.-EC INTERESTS

Mr. Cousté noted that the fate of Western Europe was of especially great importance to the security of the United States. Defense matters had also been raised by the Council of the European Economic Community. There was an increased awareness of the growing threat from the Soviet Union. Political relations between the European Community and the United States were characterized by an atmosphere of mutual trust.

Mr. McDonald also dealt with the connection between the activities of the Community and overall foreign policy. The Community should grow along with the new political developments. He regretted that the United States had failed to take advantage of the political opportunities afforded by the European Community. It was, after all, in the interests of the United States to have a united Europe. The Communist parties in Europe were being financed from abroad. In conclusion, he stated that he was opposed to permanent partition of Cyprus.

Mr. Ryan asserted that a permanent partition should not be the basis for a final Cyprus solution. In virtually no instance has partition brought real peace.

BASE AGREEMENTS SUPPORTED

Mr. Corterier endorsed the views of Mr. Solarz and hoped that Congress would approve the two agreements referred to. He noted that the Federal Republic of Germany was giving military aid to both Turkey and Greece. The role of the European Community in this connection was politically important, since in some respects, it had taken over from NATO there. The Community was attempting to stabilize the situaton by making financial and economic sacrifices. In the wider view, the possible accession of Greece to the European Community—irrespective of the financial consequences for the wealthier countries of the Community, in particular—had also to be considered. The growing success of communism in southern Europe was a serious matter but

should not be dramatized at present. Participation by the Communist Party in the Italian government was, however, imminent and bound to raise serious problems.

Mr. Corterier noted the efforts that Germany and, Europe in general, have made to compensate for the lack of American aid to Turkey. He noted, too, that in the case of Greece the Community was in many respects replacing NATO which continued to stand in great disrepute.

He added that the effort of the EC to stabilize the Mediterranean and to maintain a western influence there during the failure of US policy should not go unnoticed. He said that it was often asked of Europe: What are you doing for NATO and the West? The answer is that we are doing a lot and it is very expensive.

Greek membership in the community will be a particular problem from an economic standpoint, aggravating an existing imbalance between the affluent Benelux countries and the poorer states. And yet, for overriding political reasons, we recognize that Greece must be in the alliance. Moreover, if we accept Greece, it is inevitable that compensatory arrangements will have to be established with Turkey.

MORAL ASPECTS IMPORTANT

Mr. Fraser noted that there were important security considerations at stake in Southern Europe, but that it was wrong to simply ignore the moral dimensions of the Turkish invasion of Cyprus. This he found reminiscent of the arguments used to defend U.S. support of the Greek junta.

Mr. Fraser felt that it was unfortunate that Europe was not able to play more of a mediating role when that conflict unfolded. He said that he understood that the NATO council had been discouraged from taking any action; if this is true then it compounds the error of US policy.

U.S. MISHANDLING OF CYPRUS

In Mr. Fraser's view the Cyprus problem had been mishandled by the United States from the beginning. He doubted whether Congress would approve the pacts with Greece and Turkey. A complete lifting of the arms embargo against Turkey could cause Greece to view membership of NATO as an encumbrance. In the United States there was the overwhelming feeling that the Greek population of Cyprus had suffered a great injustice. In NATO the principle of justice should have priority. Mr. Badillo endorsed Mr. Fraser's views, especially the judgment that the arguments now used to justify normal relations with Turkey were the same justifications used during the Greek military dictatorship to continue normal relations with the junta.

Mr. Lenihan felt that EC aid to southern European countries could only be justified if and when it was certain that they had a pluralist democracy. The Community's external policy had to be compatible with overall foreign policy.

Mr. Corona hoped that American delegations from the Congress to Italy would subsequently establish contact with all political groupings there, including the Communists. He expressed his appreciation of Mr. Ryan's understanding of the delicate political situation in Italy.

Referring to the point made by Mr. Fraser, Mr. Guertsen observed that one injustice in Cyprus should not be met by another in Turkey. He therefore hoped that the American Congress would approve the two agreements.

Following concluding remarks by the two rapporteurs, Mr. Ryan and Mr. Normanton, the chairman closed the debate.

PAPERS

THE FUTURE ROLES OF GREECE, PORTUGAL AND SPAIN IN AN INTEGRATED EUROPE

Paper by Tom Normanton

In the short space of time available to prepare this paper it is not possible to do more than provide thumb-nail sketches of each of the three countries which are prospective new members of the EEC, their present social and economic state and stages of development, their progress and prospects for advancement towards pluralistic parliamentary democracy, and the course which negotiations might be expected to take as formal requests for full membership of the Community are submitted. Only then can an assessment be made of the consequences for the Community of the Nine arising from its progressive enlargement.

GREECE

Greece is the only country of the three which has formally asked for full membership and whose membership is now under consideration. During the military regime the Association Agreement, negotiated in Athens in 1962, was frozen under the initiative of Europeans who felt that the new undemocratic system of government in Greece was inconsistent with such an agreement. This objection to the development of closer links lost its validity in July 1974, when the junta collapsed and power was returned to the politicians under Mr. Constantine Karamanlis.

The military government does not seem to have hindered the swift development of the Greek economy in the early 1970s. Between 1973 and 1974 the GDP rose by 18 percent, from $16,040 million to $19,000 millon. Between 1968 and 1973 the average hourly wage for unskilled workers rose by 61 percent, from 19.31 pence to 31.13 pence. While this increase is lower than that of Spain, which in the same period increased its equivalent wage from 24.63 pence to 49.39 pence, one must bear in mind that the cost of living in Greece was markedly low and that Greece is generally poor in natural resources, including agricultural.

The Greek economy continues to make good progress, although the violent events of 1974 have taken their toll. Greece has felt herself morally obliged to give massive aid to the Greek part of Cyprus. (It was, after all, the Greek junta's interference in Cyprus affairs which brought tragedy to the island as well as democracy to Greece.) Because of the confrontation with Turkey, Greece is now spending large sums on equipping her armed forces, and the effect of the crisis on Greece is economically greater, because of the relative sizes of the two countries. Massive fortifications are being built on the Greek islands of the Aegean and along the River Evros, which marks the Greek-Turkish frontier.

POLITICAL MOTIVATION

Greeks are ready to admit that their recent application for full membership was politically motivated, but they do not admit that it was an anti-Turkish manoeuvre. Instead, they say, it is an earnest desire to reconsolidate democracy and to restore their position as a respectable European nation, opposed to extremes of both right and left. There are some who, in the present mood of anti-Americanism, see membership of the Community as a substitute for good relations with one of the superpowers. After the disasters of 1974 they feel deeply in need of friends, so there is a danger that the EEC may be built up in the minds of the Greek masses as the answer to all their problems. This is obviously to be discouraged, because this euphoria could so easily be replaced by disillusionment.

When he visited the European Parliament in June 1975 Mr. John Pezmazoglu, Chairman of the Greek side of the mixed committee presently discussing the

application, said that he expected that Greece would join the Community "in a year or so". But since then it has become clear, on both sides, that this estimate was very over-optimistic. The application has been considered by the EEC Commission, who gave their opinion in a carefully analysed report dated 29 January 1976. Their conclusions are as follows:

"15. In preparing the present opinion the Commission has been deeply conscious of the obligation that lies on the Community to find a fitting and appropriate response to the Greek request for membership. This request, coming a few months only after the restoration of democracy in Greece and enjoying the support of almost every shade of Greek political opinion, represents a remarkable affirmation by the Greek people and their leaders of the overriding importance they attach to their country being committed to the cause of European integration. It is clear that the consolidation of Greece's democracy which is a fundamental concern not only of the Greek people but also of the Community and its Member States, is intimately related to the evolution of Greece's relationship with the Community. It is in the light of these considerations that the Commission recommends that a clear affirmative reply be given to the Greek request and that negotiations for Greek accession be opened."

The Commission opinion has been presented to the Council of Ministers, debated in the European Parliament, and has been and still is the subject of intense debate.

FULL GREEK MEMBERSHIP

The European Parliamentary Committee on External Relations has recommended in a report drafted by Mr. James Scott-Hopkins dated 17 March 1976 "that the Commission should begin negotiations immediately with a view to full Greek membership with a transitional period which will take account of the difficulties which have to be overcome".

The Council of Ministers expressed on 24 June 1975 its satisfaction in principle that Greece had submitted the application, and, without pre-judging the outcome of negotiations on details, has given clear indications that no efforts will be spared to bring about a conclusion satisfactory to all parties. The ultimate objective must be full and unconditional Membership, the acceptance of all existing obligations binding upon present member States.

No indication has been forthcoming on the duration of negotiations other than that "there shall be no delay". It would be unwise however to read too much into the official prenouncements to date, since the "difficulties" to be resolved in the economic field are to say the least considerable. In some respects the political "difficulties" may even be greater since they relate to third countries, e.g. Turkey, with which the EEC has but looser links at present but hopes for closer links in the future.

On the assumption that negotiations will be successful, a time-scale of from 2 to 5 years should be considered for Greece achieving membership, even if subject to a transitional formula leading to full acceptance of the Treaty of Rome.

The EEC will therefore guard carefully against committing itself too obviously to one side or the other in this dispute. In permitting the progress of the Greek application, she will be careful to reassure Turkey at every turn and to keep Turkey in the political picture. This will require delicate diplomacy on the Community's part. But it is hardly an impossible diplomatic task, and the problem is hardly so great as to make Greece's progress towards membership out of the question.

SPAIN

Of the three countries under consideration, Spain appears to be the one with the most developed economic structure and the highest standard of living. She has the lowest percentage of the active population engaged in agriculture (27.6 percent) and the highest percentage employed in industry (37.7 percent). The comparable figures for Greece are 35.7 percent and 25.2 percent, for Ireland 25.7 percent and 30.3 percent, for France 12.7 percent and 38.4 percent. Between 1973 and 1974 the GDP per head rose by a remarkable 19 percent, to $2088.

The Spanish economy enjoys all the advantages of late industrialisation. Its factories operate up-to-date equipment. Its workers have been taught up-to-date skills. In the year 1973–74 its GDP rose by about 20 percent, from $60,710 million to $73,300 million. If this rate of growth continues at its present speed, Spain could within five years overtake one or two of the poorer members of

the EEC. Economists seem to agree that Spain has ridden the world recession better than most. From the purely economic point of view, Spain could cope with most of the problems of entry now. Purely economic negotiations would almost certainly be successful.

SUPPORT OF FRANCE

The difficulties are, of course, political. The only support for speedy Spanish accession, in government circles, comes from France. There are those in France who think that the Community is now biased in favour of the Anglo-Saxons as a result of the recent accession of Denmark, Ireland and the United Kingdom. This would be redressed if Spain were to join. On May 18th 1974 Monsieur Giscard d'Estaing was quoted in the Spanish Press thus: "Spain will soon become part of the Common Market. Every effort to liberalise and to make Spain more outward looking will contribute to this end. Personally, I want this to happen as soon as possible. I would even go so far as to say that it was part of France's vocation to facilitate this accession." The Socialist leader Monsieur Francois Mitterrand said at the same time that he too wanted Spain to join, but only after "a total evolution toward democracy".

The simple fact is, of course, that under the Treaties membership of the EEC is only open to democracies. Though the Treaties do not define the term "democracy", recent statements by senior EEC representatives have made it clear what are, in their view, some of its essential elements: the freedom to form and join political parties, to stand for election against the government and, if successful in elections, to take over the government. These conditions do not as yet exist in Spain. The personality of General Franco has always been an added barrier to closer relations, since he was personally detested by many powerful EEC political groups, including most of the Social Democrats.

As early as 1962 the Spanish Foreign Minister wrote to the President of the EEC Council of Ministers asking for an Association Agreement. During the talks which followed it became clear that it was because of the incompatability of the Spanish political system with the principles governing the Community that no Association Agreement was possible. Instead a preferential trade agreement was negotiated which covered at the time about 75 percent of the commercial exchanges between Spain and the "six", and which reduced customs tariffs on industrial products imported by the EEC from Spain by some 60–70 percent. For her part Spain agreed to reduce customs tariffs on goods coming from the "six" by between 25–70 percent, depending upon the product in question. This agreement came into force on October 1st 1970.

ASSOCIATION AGREEMENT

There is certain illogicality, however, in the decision to refuse Spain an Association Agreement on the grounds that democratic rights and individual freedom do not apply in that country. The EEC has signed such agreements with several non-democratic governments, for instance Morocco, and very few of the States which have signed the Lomé Treaty even reach the state of political democracy in Spain. The EEC's insistence on democracy has been consistent with regard to full membership, but not with regard to Association Agreements.

The death of General Franco (20 Nov. '75), it had widely been hoped, would signal a profound and fundamental move away from all that he was deemed to represent politically. Such expectations were voiced from inside Spain as well as from outside it. In the European Parliament there have been and still are frequent and violent outbursts condemning measures taken by the new Spanish Government, under King Juan Carlos as Head of State, against individuals and groups of people who are described as "terrorists, anarchists, separatists etc.". Whether the actions of such people should be deemed to be "legitimate" by the Governments and political parties in the Community is a matter of considerable difference of opinion. It does however seem difficult to understand how the murder of a policeman in Spain can be "justified" and even acclaimed, while a similar act in a Member State would at best rouse feelings of anger, or at worst indifference. This raises a question of considerable significance to the present state and prospects for future political developments in the Community, which will be considered later.

It must be noted therefore that though there are no economic barriers to Spain's accession, the political barriers are formidable, and political events in the Community and in Spain, from time to time, will make progress towards accession highly problematical. Spain does not need Membership, but would benefit in many ways from a closer relationship; she is not a "supplicant". The Spanish Government has declared itself to be in principle in support of the requirements of the Treaty of Rome and to be willing to take progressive steps towards meeting the democratic political pre-conditions of entry.

Should a formal application for Membership, whether Full or Associate, be made to the EEC, then the EEC will have to think very carefully before it presses a Spanish Government to adopt its principles. The Spanish people, all the people, will hardly take kindly to being dictated to. Such behaviour would be thought insulting to the national honour. Only a step-by-step approach, with the greatest possible need for diplomacy and tact on the part of the EEC, would be fruitful, and may require many years of effort before even formal Application and Negotiations might be contemplated.

PORTUGAL

Portugal has the lowest GDP per head of any of the four potential countries except Turkey. Under the Salazar-Caetano governments it was unique among European countries in that its wealth was concentrated in the hands of a tiny number of people, a few hundred families. Wages were low, far lower than in Spain. In 1968 the average daily wage for unskilled workers (male and female) was 93.75 pence. In the same year the hourly wage for an unskilled worker in Italy was 30.94 pence, in the U.K. 40.6 pence and in Denmark £1. The economic and social structure of the country was, by European standards, rudimentary and old-fashioned. Agricultural production was low because of the government's backward-looking policies: lack of encouragement to mechanise, a grant system favouring traditional methods of cultivation as well as a credit system which was not adapted to the small size of most of the farming units.

HIGH EXTERNAL TRADE

Portugal, which had a high level of external trade, suffered particularly from the world economic crisis which began at the end of 1973. Until then there had been some improvement in foreign capital investment, a rise from $60.9 million in 1969 to $88.9 million in 1971, but this was offset by the very high expenditure imposed by the war in the colonies.

The new military takeover on April 25th 1974 accelerated the economic crisis. The new government was fortunate in that it inherited a large treasury of foreign exchange, and the country has been living on this fat for the past year and a half. But immediately after the takeover income from tourism began to fall, remittances from Portuguese abroad grew less, business developed a mood of insecurity. The policy of decolonisation, swiftly implemented by the new government, led to the return of a large number of troops, officials and entrepreneurs. The result was an alarming rise in unemployment. All this took place at a time of high expectation among the Portuguese working people, many of whom believed that the Revolution would bring them liberty and prosperity overnight. Social tension has increased as these hopes have failed to materialise.

The new government gained some popularity through its plans to redistribute the wealth of the very rich families and to raise industrial wages (though there was no economic justification for the latter). But these and other revolutionary measures have brought the Portuguese economy to chaos and disaster. The GDP, which grew by an average of 6.6 percent between 1967 and 1972, is now actually falling, and some economists have predicted that it will decrease by as much as 6 percent between 1974 and 1975. In fact, the country is in such a state of economic anarchy that the question of full membership of the EEC could hardly be considered at this stage.

Since April 1974 Portugal has approached the EEC institutions several times with requests for aid, the sums involved totalling nearly 1,000 million units of account. In the beginning these requests were received with sympathy, but this sympathy was fast eroded as the political situation in Portugal deteriorated.

The European Parliament has repeatedly expressed its support for the concept of a "free" Portugal and pressed the Commission to grant aid, this to be for specific projects and not for general utilisation by the Portuguese government.

A CHAOTIC ECONOMY

The state of the Portuguese economy is to say the least chaotic; politically it is no better. But in recent weeks it would appear that the forces of anarchy, the Marxist and Communist revolutionary leadership, are being eroded and replaced slowly by less extremist elements. Many of the military units are being relieved of their arms and the semblance of a Government, though still dominated by the left and without a democratically elected base in the country, is beginning to emerge.

With a General Election now promised for 25 April, and the return of what may appear to be an uneasy peace in the country generally, there is at least some hope and a better prospect of progress towards a form of pluralistic democratic government. In the light of this development the EEC has authorised quite considerable loans to be negotiated by the European Investment Bank, and negotiations to be opened by the Commission on trade relations. Should the General Elections prove successful in producing an effective and democratic Government, or clear progress in that direction, these negotiations may lead to more ambitious areas for agreement with the Community.

One thing is certain however. There is no programme nor firm prospect for Portugal's membership of the EEC until the internal revolution has confirmed conclusively the political direction it will take. In the meantime the economic distress and hardship is increasing, a situation which is being aggravated and exploited by political forces both inside the country and from outside.

STATUS OF THE EEC

Before considering the effects upon the Community consequential upon its enlargement, it is essential to attempt an objective assessment of the EEC as at this time, April 1976. Even viewed superficially it presents a disturbing picture.

Politically each Member State is in some difficulties, whether it be Germany in the throes of an election year with at least the possibility of a change of Government, or Italy where the weakness of the Christian Democrat Government offers a prospect of Communist influence as yet unique in Europe. The net result of the many changes, current and prospective, is being reflected in the inability of the heads of Member States to reach agreement on any significant political questions. Their last meeting, April 1976, was a complete non-event which, if repeated, might well spell the collapse of the community.

Progress towards the loudly proclaimed goal of Economic and Monetary Union has to be set against the present total disarray of world currencies generally, and the EEC's in particular. Instead of the promise of economic unity we have the probability of economic division into a two class Europe. Instead of a concerted effort to extricate western Europe from its abject dependence upon energy, and the monetary consequences, we see a display of "hands off, it's mine" attitude, and "nothing but a free market economy".

A long-standing firm commitment to a directly-elected European Parliament, with teeth, is being challenged or at least questioned. It may become a reality by 1978 or 1979, but if not there is growing fear that it may be shelved indefinitely, during which the power of the European Council as the instrument of Heads of State will increase and accentuate national differences instead of creating areas of common concern.

The world economic recession has hit all Community members alike, but the refusal of Member States to reach common solutions to common problems, purely for nationalistic domestic political reasons, has magnified the economic differences and thereby posed a threat to trade liberalisation upon which European prosperity depends.

NO EEC DEFENSE ROLE

Western defense, in the form of WEU and NATO, is in a critical condition, with France outside NATO, Turkey and Greece at loggerheads, Portugal dithering on the brink of leaving or a doubtful element at best, and Britain slashing her defense contribution. Only Germany continues to shoulder her burden in money, materials and men. And all the time the strength and active aggressiveness (in Africa in particular) of the USSR grows apace. But of course defense is not a responsibility of the EEC—yet!

Although the Community has been developing and implementing a trade policy and strategy on a Community basis, the isolation of trade policy from

foreign policy creates a highly artificial situation when the Commission enters into commercial dialogue with third countries. This cannot continue, the Member States and European parliamentarians are agreed, in the face of politico-commercial trends among state-trading countries in general and the USSR and satellites in particular. Commercial policy is but an extension of foreign policy and must come within the remit of the Community.

Though tariff barriers have been abolished for internal trade, a veritable jungle of non-tariff barriers still impedes progress towards a truly open domestic market.

The announcement by the Commissioner for Community Agricultural Policy of his intention to resign highlights the chronic complexity and frustration of reaching Community agreement on this aspect of of policy. So long as there is a source of unlimited money—in this case Germany—any system can be made to work. But even a milch cow says "sorry, no more" sometime!

On the industrial front there has still been no progress, at Community level, towards the adoption of measures which would encourage European industry to re-structure to take full advantage of a huge home market, of higher technology, and large-scale production. This is, or should be, essential for such industries as data-processing, aircraft-manufacture, ship-building, and the automobile industry. Instead of a community approach each Member state adopts its own method, state aid, nationalisation, subsidies.

MONOPOLIES EXPOSED

The Community has in the Treaty of Rome a commitment to oppose all forms of monopolistic practices and restraints in the path of achieving a free and competitive market. To some small extent this finds reflection in a degree of antipathy towards multi-national companies, partly because of their structural character, and partly because some are American. Though this feeling is by no means extensive or sustainable, its existence should not be ignored.

To sum up, the Community is going through an extremely difficult period both politically and economically. The enlargement from Six to Nine created internal stresses, accentuated by the course of subsequent international events. It is not in the best of condition to attempt a further enlargement, though timing may not be for the Community to choose.

THE CONSEQUENCES FOR THE EEC OF ENLARGEMENT

(a) The concept of the EEC, as drafted by the founding fathers, took progressive enlargement (by application) as inevitable and desirable, so long as applicant countries conformed to the basic principles of the Community and accepted in full all existing obligations as at date of entry.

(b) All existing institutions could accommodate new members, within the minimum of adjustment, although with increase in size would inevitably go an increase in diversity of interest and therefore increased difficulty in reaching agreement.

(c) Since the Common Agricultural Policy is still the major element in the Community Budget, the inclusion of Greece, Portugal and Spain would impose a considerably greater burden on the net contributing Member States since the agricultural industry of the new Members is generally at a low level in efficiency. There is also a high degree of product competition as far as wine, olives and citrus fruit are concerned.

(d) Since large areas of the new states are in need of considerable financial aid for regional development, the Community may find a disproportionate share of available funds absorbed there.

(e) In industrial terms the capital plant producers in the Nine, or rather Germany in particular, should benefit considerably by the enlargement of the "home market". The competitive efficiency of the modern Spanish shipyards would pose some major problems for the existing Community ship-building industry and its proposed re-structuring. The aeronautical industry of the Nine is in need of reorganization, on a community basis, and the addition of three new Member States may pose problems for them in the short term.

(f) In the longer term, however, there can be no doubt that the economies of the enlarged Community would be considerably strengthened as a result of a larger home market and the scope for rationalization in the heavier industrial field.

(g) Spain, Portugal and Greece occupy a special position in the textile field and very heavy capital investment has gone into their productive capacity of cotton yarn, fabric and made-up garments. The older textile industries of the Nine may be faced with even more intense competition, though here again it may be argued that in the long term this may be to the greater overall benefit of the enlarged Community.

(h) For some considerable time Greece has supplied labor for work in Germany in particular. As "Gast-arbeiter" [guest-worker] they have tended not to settle in their areas of employment. Full membership of the Community would change their status and may bring about more permanent movements of population unless progress towards industrialisation were to be speeded up in their home region.

LONG TERM GROWTH

(i) The right of establishment for "foreigners" in Spain, Portugal and Greece is severely restricted at present. On becoming Full Members of the Community existing firms in the Nine would move to expand their activities and in some commercial sectors create difficulties. But here again, in the long term such developments would serve to strengthen economically the Community as a whole.

(j) A major impact on the Nine may well be a widening of the areas of "differences" as new States join, leading to slower progress than even the present towards economic and monetary union and the strengthening of Community institutions. For example, take the European Parliament, whatever size and representational system is adopted, provision would have to be made for approximately 20 percent more Members and 3 extra languages.

(k) In political terms the observation has already been made that the entry of Greece would pose extremely difficult problems for the Community so long as Greece and Turkey remain embroiled in the Cyprus quarrel since Greece would wish to bring in Cyprus, or rather the Greek (?) portion of it.

On the other hand the EEC faces an even more serious dilemma should Greece, in our outside the Community, become involved in a war with Turkey or slide once again into political crisis, either of the Left or Right. At least Membership might be expected to impact some element of stability.

(l) The same could be said about Portugal's internal political difficulties. Membership and economic growth may serve to stabilize political development. Isolated, she may slide into political relationships alien to the interests of the Nine.

(m) Spain, politically, is quite a different matter. Her development must come from within and any attempt to pressure her Government or people would be counter-productive. A successful and peaceful transition towards Associated status would be politically to the advantage of the Nine and probably pave the way for an internal move towards a system of government more in accord with the Treaty of Rome.

U.S. INTERESTS IN THE MEDITERRANEAN: MILITARY BASES AND POLITICAL DEVELOPMENTS

Paper by Leo Ryan

U.S. INTERESTS IN THE MEDITERRANEAN

Since the end of World War II, U.S. interests in the Mediterranean derive from the premise that no area of the world is of greater importance to the security of the United States than is Western Europe. Conversely, a viable partnership with the United States is essential to the security of the nations of Western Europe. The framework of that partnership is the North Atlantic Treaty Organization (NATO), a body whose strength and effectiveness during its 27-year existence has depended heavily on Western Europe's southern tier of countries adjacent to the Mediterranean.

In addition to the importance of the Mediterranean area to NATO's collective security mission, the United States and Western Europe also share a common interest in the region due to its proximity to the volatile but oil-rich Middle East and the vital Indian Ocean area.

Clearly, the interests of the United States and those of Western Europe in the Mediterranean are not divisible. In spite of our independent interests, however, recent events in Western Europe's Mediterranean countries have raised serious question as to whether our common interests in the area can be protected and promoted under the NATO umbrella.

POLITICAL DEVELOPMENTS AND U.S. MILITARY ROLE IN SOUTHERN EUROPE

A significant part of the United States' contribution to NATO's mission in the Mediterranean area—and to its own unilateral security interests as well—is the presence of U.S. military bases and installations from the Azores to Turkey. During a tour of NATO countries last August, I found, in discussions with government officials, that they appear to regard the heavy U.S. commitment to defense of Western Europe and the stationing of U.S. forces there as vital to their own security. In fact, nowhere in Europe, including non-NATO countries such as Spain and neutral Sweden, did government leaders express any feasible alternative to NATO or to the predominant role of the United States in NATO.

However, despite the apparent agreement among the partners of the alliance with respect to NATO's relevance, recent pressures and upheavals in NATO's southern tier have cast doubt on whether the U.S. military presence can continue in some locations. These same pressures now bring up the question of whether the alliance is structured to deal with internal dissension and political disparity.

THE CONFLICT BETWEEN GREECE AND TURKEY

The conflict between Greece and Turkey over Cyprus—as well as their simmering dispute over the Aegean islands—has severely damaged NATO's southeastern flank.

As part of the complex problems emerging from the Greek-Turkish hostilities over Cyprus, Greece announced in August 1974 its withdrawal from the NATO integrated military structure. While, in fact, Greece has maintained participation in some NATO military activities, the long-term Greek role in the Alliance is now open to speculation, both within the Alliance and outside of it.

Reacting sharply to a cutoff in U.S. military sales and assistance on February 5, 1975, and the subsequent rejection of legislation in the Congress to lift the embargo, Turkey in July 1975, suspended its bilateral defense arrangements with the United States. While Turkey has taken no action to change its NATO role, its dispute with Greece over Cyprus and the bitterness engendered by the embargo impacted adversely on the security interests of the United States as well as those of Western Europe.

Specifically, the suspension of U.S. access to important intelligence gathering facilities in Turkey has deprived the United States and its NATO allies of

sorely needed information with respect to the Soviet Union's military activities—particularly with respect to monitoring the extent of Moscow's compliance with strategic arms limitations agreements.

COMMUNIST INVOLVEMENT IN WEST EUROPEAN GOVERNMENTS

Movement to the left in Portugal and the recent rise in the electoral capabilities of the Communist Party of Italy (CPI) have created considerable alarm within both the Executive and Legislative Branches of the U.S. government and the American media with regard to the potentially adverse impact Communist participation in NATO governments would have on the security interests of the United States and West Europe. Such alarm was expressed by Secretary of State Kissinger when he recently stated in an address before an American audience:

"* * * we must be concerned about the possibility of Communist parties coming to power—or sharing in power—in governments in NATO countries. Ultimately, the decision must, of course, be made by the voters of the countries concerned. But no one should expect that this question is not of concern to this government. Whether some of the Communist parties in Western Europe are, in fact, independent of Moscow cannot be determined when their electoral self-interest so overwhelmingly coincides with their claims. Their internal procedures—their Leninist principles and dogmas—remain the antithesis of democratic parties.

"By that record they would inevitably give low priority to security and Western defense efforts, which are essential not only to Europe's freedom but to maintaining the world balance of power. They would be tempted to orient their economies to a much greater extent toward the East. We would have to expect that Western European governments in which Communists play a dominant role would, at best, steer their countries' policies toward the positions of the nonaligned. The political solidarity and collective defence of the West—and thus NATO—would be inevitably weakened if not undermined."

STATEMENT OF PRESIDENT FORD

President Ford summed up this fear more succinctly when he asserted:

"I don't think you can have a Communist government or Communist officials in a government and have that nation be a viable partner in NATO."

From my own point of view as a Member of Congress which has a different and more populist orientation, I would suggest a slightly different view. The American people believe in the process of free elections—almost passionately. If they did not invent this idea, they certainly perfected it in war and peace for the last 200 years. Americans just don't understand the people of countries who advocate the overthrow of a government which is freely elected.

Furthermore, they find it difficult to understand how other Western European nations can be quite so passive, or perhaps noncompetitive toward the Soviet bloc and toward those nations that advocate totalitarian philosophy. We rejoice that Portugal seems to be moving toward freedom for its people. We rejoice for Spain as it moves in some agony to open up its society, without finding itself overthrown again by a coup from the left or the right.

We wonder if freedom can survive in Italy. We wonder if the free enterprise system which has given so much to the average man can survive the Communist promise of total equality for all—and which only means the destruction of a system of manufacture and distribution that has brought new meaning to the lives of working men and women of Western Europe.

WHERE DO WE GO FROM HERE?

In view of the deteriorating situation on NATO's south-eastern flank, and in view of the rise in Communist Party power in NATO governments, we must seriously ask ourselves where do we go from here vis-a-vis protecting our common interests in the Mediterranean.

Specifically, we parliamentarians must come to grips with the following issues:

1. Can the NATO Alliance remain viable if local Communist parties achieve a role in certain NATO governments?

2. What can the members of the Alliance do in concert to heal the Greek-Turkish split and insure that future internecine conflicts do not boil over within NATO?

3. Should post-Franco Spain be included in the Alliance?

4. Should the Alliance be more concerned with problems and events heretofore considered by the West European member governments to be outside NATO's mission?

In my personal view, with respect to the issue of Communist influence in NATO governments, I believe it is much too early to panic. Events in Portugal have not shown, thus far, that NATO is in imminent danger of losing that government's participation. As for Italy, I recommended in a report to the House Committee on International Relations that:

"US policy in Italy must take into account the growing political significance of the Italian Communist Party in the fact of the continued inability of the other political parties to make any meaningful progress toward solving Italy's worsening economic and social problems. We can no longer pretend that the PCI does not exist, officially. The attitude of the PCI toward the United States just might be influenced to some extent by our attitude toward the PCI. A long hard and honest look should be given to the PCI to determine their true degree of independence from the Communist Party of the Soviet Union (CPSU)."

In the final analysis the Italian electorate must make these decisions and determinations themselves.

With respect to NATO's apparent inability to deal with such destructive intramural conflicts as the Greek-Turkish dispute, I have long been concerned with the inability of the Alliance to have a positive influence on problems outside the military sphere. Its institutional inertia has virtually hamstrung the Alliance's ability to cope with the Arab oil embargo, for example. If the Alliance is to remain a credible force in today's world, this inertia and narrowness must be overcome.

On the question of Spain, it is my view that, with the passing of Franco, the emergence of a more moderate government, and the signing of a US-Spain base rights treaty, Spain should be brought in to NATO to shore up the Alliance's southern tier.

JOINT ACTION NEEDED

Finally, I believe very strongly that the NATO parliamentary members, as a bloc, and as individual delegations should become more conscious of a responsibility to praise those activities of governments or of popular movements that move a country toward freedom, and condemn those actions that the Alliance sees as hostile to their stated beliefs. It is not enough for you to expect the US to be a leader in such fashion, and to fail to take such actions yourself.

In a democracy such as exists in the US, you are quick to note the opposing policies of the Ford Administration and Mr. Kissinger on one side, and the Congress on the other.

President Ford wants to help Angola. The Congress does not. The Congress does not like some of the more peculiar digressions of the CIA. The President tries to defend them. In a country the size of ours, whatever else all this means, it at least means this:

(a) We mean to protect our hard won liberties even from our own excesses on occasion.

(b) In a truly free society, other nations may look through wide open windows to see the way we live.

I am not overly embarrassed by our internal bickering. You should not be either. In fact, it would be good for Third World nations to see that we can do this and still remain strong. The American voter would like to be sure that NATO countries share those beliefs. Proof does not necessarily come from internal example, but by being more active in openly questioning Soviet bloc failures, for example.

I have heard from many of my distinguished colleagues at these conferences that you need America to provide an example. A noble and challenging thought—may I reply in the same vein? American citizens need to hear Europeans proclaim their belief in free enterprise and free elections. This is not to say that you do not do so now, and have not done so. But like any jealous lover, we need constant reassurance of your affections, too. Perhaps it is just that you need to speak up more loudly for those of us who live on the far side of America. Distance may make us slightly deaf—but still in need of reassurance, too.

I put forth these issues and views for the consideration of my fellow parliamentarians and welcome your reactions.

Friday, April 23, 1976, Morning

FINAL SESSION

Before the press conference the two Delegations evaluated the results of the Working Sessions during this Ninth Interparliamentary Meeting, and unanimously expressed their satisfaction with both the organizational and substantive parts of the programme.

The American Delegation renewed the formal invitation to the European Parliament to send a Delegation to Washington for the next, and Tenth, Interparliamentary Meeting. It also renewed Congressman Paul Findley's (Republican, Illinois) invitation for this Delegation to participate in the celebrations of the bi-centennial of the Independence of the United States, by visiting Springfield, Illinois, the city where Abraham Lincoln was active before he was elected President of the United States. The time for the next meeting would be September 1976.

APPENDIX

Declaration of OECD Member Governments on International Investment and Multinational Enterprises

(As approved by the member governments on June 21, 1976 in Paris)

The Governments of OECD Member Countries

CONSIDERING

That international investment has assumed increased importance in the world economy and has considerably contributed to the development of their countries;

That multinational enterprises play an important role in this investment process;

That co-operation by Member countries can improve the foreign investment climate, encourage the positive contribution which multinational enterprises can make to economic and social progress, and minimize and resolve difficulties which may arise from their various operations;

That, while continuing endeavours within the OECD may lead to further international arrangements and agreements in this field, it seems appropriate at this stage to intensify their co-operation and consultation on issues relating to international investment and multinational enterprises through inter-related instruments each of which deals with a different aspect of the matter and together constitute a framework within which the OECD will consider these issues:

I.

DECLARE

That they jointly recommend to multinational enterprises operating in their territories the observance of the Guidelines as set forth in the Annex hereto having regard to the considerations and understandings which introduce the Guidelines and are an integral part of them.

II.

(1) That Member countries should, consistent with their needs to maintain public order, to protect their essential security interests and to fulfill commitments relating to international peace and security, accorded to enterprises operating in their territories and owned or controlled directly or indirectly by nationals of another Member country (hereinafter referred to as "Foreign-Controlled Enterprises") treatment under their laws, regulations and administrative practices, consistent with international law and no less favorable than that accorded in like situations to domestic enterprises (hereinafter referred to as "National Treatment").

(2) That Member countries will consider applying "National Treatment" in respect of countries other than Member countries.

(3) That Member countries will endeavor to ensure that their territorial subdivisions apply "National Treatment".

(4) That the Declaration does not deal with the right of Member countries to regulate the entry of foreign investment or the conditions of establishment of foreign enterprises.

III.

(1) That they recognize the need to strengthen their co-operation in the field of international direct investment.

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(2) That they thus recognize the need to give due weight to the interests of Member countries affected by specific laws, regulations and administrative practices in this field (hereinafter called "measures") providing official incentives and disincentives to international direct investment.

(3) That Member countries will endeavor to make such measures as transparent as possible, so that their importance and purpose can be ascertained and that information on them can be readily available.

IV.

That they are prepared to consult one another on the above matters in conformity with the Decisions of the Council relating to Inter-Governmental Consultation Procedures on the Guidelines for Multinational Enterprises, on National Treatment and on International Investment Incentives and Disincentives.

V.

That they will review the above matters within three years with a view to improving the effectiveness of international economic cooperation among Member countries on issues relating to international investment and multinational enterprises.

ANNEX

Guidelines for Multinational Enterprises

1. Multinational enterprises now play an important part in the economies of Member countries and in international economic relations, which is of increasing interest to governments. Through international direct investment, such enterprises can bring substantial benefits to home and host countries by contributing to the efficient utilization of capital, technology and human resources between countries and can thus fulfill an important role in the promotion of economic and social welfare. But the advances made by multinational enterprises in organizing their operations beyond the national framework may lead to abuse of concentrations of economic power and to conflicts with national policy objectives. In addition, the complexity of these multinational enterprises and the difficulty of clearly perceiving their diverse structures, operations and policies sometimes give rise to concern.

2. The common aim of the Member countries is to encourage the positive contributions which multinational enterprises can make to economic and social progress and to minimize and resolve the difficulties to which their various operations may give rise. In view of the transnational structure of such enterprises, this aim will be furthered by cooperation among the OECD countries where the headquarters of most of the multinational enterprises are established and which are the location of a substantial part of their operations. The guidelines set out hereafter are designed to assist in the achievement of this common aim and to contribute to improving the foreign investment climate.

3. Since the operations of multinational enterprises extend throughout the world, including countries that are not Members of the Organization, international cooperation in this field should extend to all States. Member countries will give their full support to efforts undertaken in cooperation with non-Member countries, and in particular with developing countries, with a view to improving the welfare and living standards of all people both by encouraging the positive contributions which multinational enterprises can make and by minimizing and resolving the problems which may arise in connection with their activities.

4. Within the Organization, the program of cooperation to attain these ends will be a continuing, pragmatic and balanced one. It comes within the general aims of the Convention on the Organization for Economic Cooperation and Development and makes full use of the various specialized bodies of the Organization, whose terms of reference already cover many aspects of the role of multinational enterprises, notably in matters of international trade and payments, competition, taxation, manpower, industrial development, science and technology. In these bodies, work is being carried out on the identification of issues, the improvement of relevant qualitative and statistical information and the elaboration of proposals for action designed to strengthen inter-governmental cooperation. In some of these areas procedures already exist through which issues related

to the operations of multinational enterprises can be taken up. This work could result in further agreements and arrangements between governments.

5. The initial phase of the cooperation program is composed of a Declaration and three Decisions promulgated simultaneously as they are complementary and interconnected in respect of guidelines for multinational enterprises, national treatment for foreign controlled enterprises and international investment incentives and disincentives.

6. The guidelines set out below are recommendations jointly addressed by Member countries to multinational enterprises operating in their territories. These guidelines, which take into account the problems which can arise because of international structure of these enterprises, lay down standards for the activities of these enterprises in the different Member countries. Observance of the guidelines is voluntary and not legally enforceable. However, they should help to ensure that the operations of these enterprises are in harmony with national policies of the countries where they operate and to strengthen the basis of mutual confidence between enterprises and States.

7. Every State has the right to prescribe the conditions under which multinational enterprises operate within its national jurisdiction, subject to international law and to the international agreements to which it has subscribed. The entities of a multinational enterprise located in various countries are subject to the laws of these countries.

8. A precise legal definition of multinational enterprises is not required for the purposes of the guidelines. These usually comprise companies or other entities whose ownership is private, state or mixed, established in different countries and so linked that one or more of them may be able to exercise a significant influence over the activities of others and, in particular, to share knowledge and resources with the others. The degree of autonomy of each entity in relation to the others varies widely from one multinational enterprise to another, depending on the nature of the links between such entities and the fields of activity concerned. For these reasons the guidelines are addressed to the various entities within the multinational enterprise (parent companies and/or local entities) according to the actual distribution of responsibilities among them on the understanding that they will cooperate and provide assistance to one another as necessary to facilitate observance of the guidelines. The word "enterprise" as used in these guidelines refers to these various entities in accordance with their responsibilities.

9. The guidelines are not aimed at introducing differences of treatment between multinational and domestic enterprises; wherever relevant they reflect good practice for all. Accordingly, multinational and domestic enterprises are subject to the same expectations in respect of their conduct wherever the guidelines are relevant to both.

10. The use of appropriate international dispute settlement mechanisms, including arbitration, should be encouraged as a means of facilitating the resolution of problems arising between enterprises and Member countries.

11. Member countries have agreed to establish appropriate review and consultation procedures concerning issues arising in respect of the guidelines. When multinational enterprises are made subject to conflicting requirements by Member countries, the governments concerned will cooperate in good faith with a view to resolving such problems either within the Committee for International Investment and Multinational Enterprises established by the OECD Council on 21st January 1975 or through other mutually acceptable arrangements.

HAVING REGARD to the foregoing considerations, the Member countries set forth the following guidelines for multinational enterprises with the understanding that Member countries will fulfill their responsibilities to treat enterprises equitably and in accordance with international law and international agreements as well as contractual obligations to which they have subscribed.

GENERAL POLICIES

Enterprises should—

(1) Take fully into account established general policy objectives of the Member countries in which they operate;

(2) In particular, give due consideration to those countries' aims and priorities with regard to economic and social progress, including industrial and regional development, the protection of the environment, the creation of employment opportunities, the promotion of innovation and the transfer of technology;

(3) While observing their legal obligations concerning information, supply their entities with supplementary information the latter may need in order to meet requests by the authorities of the countries in which these entities are located for information relevant to the activities of those entities, taking into account legitimate requirements of business confidentiality.

(4) Favor close cooperation with the local community and business interests;

(5) Allow their component entities freedom to develop their activities and to exploit their competitive advantage in domestic and foreign markets, consistent with the need for specialization and sound commercial practice;

(6) When filling responsible posts in each country of operation, take due account of individual qualifications without discrimination as to nationality, subject to particular national requirements in this respect;

(7) Not render—and they should not be solicited or expected to render—any bribe or other improper benefit, direct or indirect, to any public servant or holder of public office;

(8) Unless legally permissible, not make contributions to candidates for public office or to political parties or other political organizations;

(9) Abstain from any improper involvement in local political activities.

DISCLOSURE OF INFORMATION

Enterprises should, having due regard to their nature and relative size in the economic context of their operations and to requirements of business confidentiality and to cost, publish in a form suited to improve public understanding a sufficient body of factual information on the structure, activities and policies of the enterprise as a whole, as a supplement, in so far as is necessary for this purpose, to information to be disclosed under the national law of the individual countries in which they operate. To this end, they should publish within reasonable time limits, on a regular basis, but at least annually, financial statements and other pertinent information relating to the enterprise as a whole, comprising in particular:

(i) The structure of the enterprise, showing the name and location of the parent company, its main affiliates, its percentage ownership, direct and indirect, in these affiliates, including shareholdings between them;

(ii) The geographical areas [1] where operations are carried out and the principal activities carried on therein by the parent company and the main affiliates;

(iii) The operating results and sales by geographical area and the sales in the major lines of business for the enterprise as a whole;

(iv) Significant new capital investment by geographical area and, as far as practicable, by major lines of business for the enterprise as a whole;

(v) A statement of the source and uses of funds by the enterprise as a whole;

(vi) The average number of employees in each geographical area;

(vii) Research and development expenditure for the enterprise as a whole;

(viii) The policies followed in respect of intra-group pricing;

(ix) The accounting policies, including those on consolidation, observed in compiling the published information.

COMPETITION

Enterprises should, while conforming to official competition rules and established policies of the countries in which they operate,

(1) Refrain from actions which would adversely affect competition in the relevant market by abusing a dominant position of market power, by means of, for example,

(a) Anti-competitive acquisitions,

(b) Predatory behavior toward competitors,

(c) Unreasonable refusal to deal,

(d) Anti-competitive abuse of industrial property rights;

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[1] For the purposes of the guideline on disclosure of information the term "geographical area" means groups of countries or individual countries as each enterprise determines is appropriate in its particular circumstances. While no single method of grouping is appropriate for all enterprises, or for all purposes, the factors to be considered by an enterprise would include the significance of operations carried out in individual countries or areas as well as the effects on its competitiveness, geographic proximity, economic affinity, similarities in business environments and the nature, scale and degree of interrelationship of the enterprise's operations in the various countries.

(e) Discriminatory (i.e. unreasonably differentiated) pricing and using such pricing transactions between affiliated enterprises as a means of affecting adversely competition outside these enterprises;

(2) Allow purchasers, distributors and licensees freedom to resell, export, purchase and develop their operations consistent with law, trade conditions, the need for specialization and sound commercial practice;

(3) Refrain from participating in or otherwise purposely strengthening the restrictive effects of international or domestic cartels or restrictive agreements which adversely affect or eliminate competition and which are not generally or specifically accepted under applicable national or international legislation;

(4) Be ready to consult and cooperate, including the provision of information, with competent authorities of countries whose interests are directly affected in regard to competition issues or investigations. Provision of information should be in accordance with safeguards normally applicable in this field.

FINANCING

Enterprises should, in managing the financial and commercial operations of their activities, and especially their liquid foreign assets and liabilities, take into consideration the established objectives of the countries in which they operate regarding balance of payments and credit policies.

TAXATION

Enterprises should,

(1) Upon request of the taxation authorities of the countries in which they operate, provide, in accordance with the safeguards and relevant procedures of the national laws of these countries, the information necessary to determine correctly the taxes to be assessed in connection with their operations, including relevant information concerning their operations in other countries;

(2) Refrain from making use of the particular facilities available to them, such as transfer pricing which does not conform to an arms-length standard, for modifying in ways contrary to national laws the tax base on which members of the group are assessed.

EMPLOYMENT AND INDUSTRIAL RELATIONS

Enterprises should, within the framework of law, regulations and prevailing labour relations and employment practices, in each of the countries in which they operate,

(1) Respect the right of their employees to be represented by trade unions and other bona fide organizations of employees, and engage in constructive negotiations, either individually or through employers' associations, with such employee organizations with a view to reaching agreements on employment conditions, which should include provisions for dealing with disputes arising over the interpretation of such agreements, and for ensuring mutually respected rights and responsibilities;

(2) (a) Provide such facilities to representatives of the employees as may be necessary to assist in the development of effective collective agreements;

(b) Provide to representatives of employees information which is needed for meaningful negotiations on conditions of employment;

(3) Provide to representatives of employees, where this accords with local law and practice, information which enables them to obtain a true and fair view of the performance of the entity or, where appropriate, the enterprise as a whole;

(4) Observe standards of employment and industrial relations not less favorable than those observed by comparable employers in the host country;

(5) In their operations, to the greatest extent practicable, utilize, train and prepare for upgrading members of the local labour force in co-operation with representatives of their employees and, where appropriate, the relevant governmental authorities;

(6) In considering changes in their operations which would have major effects upon the livelihood of their employees, in particular in the case of the closure of an entity involving collective lay-offs or dismissals, provide reasonable notice of such changes to representatives of their employees, and where appropriate to the relevant governmental authorities, and co-operate with the employee

representatives and appropriate governmental authorities so as to mitigate to the maximum extent practicable adverse effects;

(7) Implement their employment policies including hiring, discharge, pay, promotion and training without discrimination unless selectivity in respect of employee characteristics is in furtherance of established governmental policies which specifically promote greater equality of employment opportunity;

(8) In the context of bona fide negotiations [2] with representatives of employees on conditions of employment or while employees are exercising a right to organize, not threaten to utilize a capacity to transfer the whole or part of an operating unit from the country concerned in order to influence unfairly those negotiations or to hinder the exercise of a right to organize;

(9) Enable authorized representatives of their employees to conduct negotiations on collective bargaining or labour management relations issues with representatives of management who are authorized to take decisions on the matters under negotiation.

SCIENCE AND TECHNOLOGY

Enterprises should

(1) Endeavour to ensure that their activities fit satisfactorily into the scientific and technological policies and plans of the countries in which they operate, and contribute to the development of national scientific and technological capacities, including as far as appropriate the establishment and improvement in host countries of their capacity to innovate;

(2) To the fullest extent practicable, adopt in the course of their business activities practices which permit the rapid diffusion of technologies with due regard to the protection of industrial and intellectual property rights;

(3) When granting licenses for the use of industrial property rights or when otherwise transferring technology do so on reasonable terms and conditions.

Decision of the OECD Council on Inter-Governmental Consultation Procedures on the Guidelinse for Multinational Enterprises

THE COUNCIL

Having regard to the Convention on the Organization for Economic Co-operation and Development of 14th December, 1960 and, in particular, to Articles 2(d), 3 and 5(a) thereof;

Having regard to the Resolution of the Council of 21st January, 1975 establishing a Committee on International Investment and Multinational Enterprises (hereinafter called the "Committee") and, in particular to paragraph 2 thereof, [C(74)247(Final)];

Taking note of the Declaration by the Governments of OECD Member countries of 21st June, 1976 in which they jointly recommend to multinational enterprices the observance of guidelines for multinational enterprises;

Recognizing the desirability of setting forth procedures by which consultations may take place on matters related to these guidelines;

On the proposal of the Committee for International Investment and Multinational Enterprises [C(76)99];

DECIDES

1. The Committee shall periodically or at the request of a Member country hold an exchange of views on matters related to the guidelines and the experience gained in their application. The Committee shall periodically report to the Council on these matters.

2. The Committee shall periodically invite BIAC and TUAC to express their views on matters related to the guidelines and shall take account of such views in its reports to the Council.

3. On the proposal of a member country, the Committee may decide whether individual enterprises should be given the opportunity, if they so wish, to express their views concerning the application of the guidelines. The Committee shall not reach conclusions on the conduct of individual enterprises.

4. Member countries may request that consultations be held in the Committee on any problem arising from the fact that multinational enterprises are made

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[2] Bona fide negotiations may include labour disputes as part of the process of negotiation. Whether or not labor disputes are so included will be determmined by the law and prevailing employment practices of particular countries.

subject to conflicting requirements. Governments concerned will co-operate in good faith with a view to resolving such problems, either within the Committee or through other mutually acceptable arrangements.

5. This Decision shall be reviewed within a period of three years. The Committee shall make proposals for this purpose as appropriate.

Decision of the OECD Council on National Treatment

THE COUNCIL

Having regard to the Convention on the Organization for Economic Co-operation and Development of 14th December 1960 and, in particular, Articles 2(c), 2(d), 3 and 5(a) thereof;

Having regard to the Resolution of the Council of 21st January, 1975 establishing a Committee on International Investment and Multinational Enterprises (hereinafter called the "Committee") and, in particular, paragraph 2 thereof [C(74)247(Final)];

Taking note of the Declaration by the Governments of OECD Member countries of 21st June 1976 on national treatment;

Considering that it is appropriate to establish within the Organization suitable procedures for reviewing laws, regulations, and administrative practices (hereinafter referred to as "measures") which depart from "National Treatment";

On the proposal of the Committee for International Investment and Multinational Enterprises [C(76)99];

DECIDES

1. Measures taken by a Member country constituting exceptions to "National Treatment" (including measures restricting new investment by "Foreign-Controlled Enterprises" already established in their territory) which are in effect on the date of this Decision shall be notified to the Organization within 60 days after the date of this Decision.

2. Measures taken by a Member country constituting new exceptions to "National Treatment" (including measures restricting new investment by "Foreign-Controlled Enterprises" already established in their territory) taken after the date of this Decision shall be notified to the Organization within 30 days of their introduction together with the specific reasons therefor and the proposed duration thereof.

3. Measures introduced by a territorial subdivision of a Member country, pursuant to its independent powers, which constitute execptions to "National Treatment" shall be notified to the Organization by the Member country concerned, insofar as it has knowledge thereof, within 30 days of the responsible officials of the Member country obtaining such knowledge.

4. The Committee shall periodically review the application of "National Treatment" (including exceptions thereto) with a view to extending such application of "National Treatment". The Committee shall make proposals as and when necessary in this connection.

5. The Committee shall act as a forum for consultations, at the request of a Member country, in respect of any matter related to this instrument and its implementation, including exceptions to "National Treatment" and their application.

6. Member countries shall provide to the Committee, upon its request, all relevant information concerning measures pertaining to the application of "National Treatment" and exceptions thereto.

7. This Decision shall be reviewed within a period of three years. The Committee shall make proposals for this purpose as appropriate.

Decision of the OECD Council on International Investment Incentives and Disincentives

THE COUNCIL

Having regard to the Convention on the Organization for Economic Co-operation and Development of 14th December 1960 and, in particular, Articles 2(c), 2(d), 2(e), 3 and 5(a) thereof;

Having regard to the Resolution of the Council of 21st January 1975 Establishing a Committee on International Investment and Multinational Enterprises (hereinafter called the "Committee") and, in particular, paragraph 2 thereof [C(74) 247 (Final)];

Taking note of the Declaration by the Governments of OECD Member countries of 21st June, 1976 on international investment incentives and disincentives;

On the proposal of the Committee on International Investment and Multinational Enterprises [C(76) 99];

DECIDES

1. Consultations will take place in the framework of the Committee at the request of a Member country which considers that its interests may be adversely affected by the impact on its flow of international direct investments of measures taken by another Member country specifically designed to provide incentives or disincentives for international direct investment. Having full regard to the national economic objectives of the measures and without prejudice to policies designed to redress regional imbalances, the purpose of the consultations will be to examine the possibility of reducing such effects to a minimum.

2. Member countries shall supply, under the consultation procedures, all permissible information relating to any measures being the subject of the consultation.

3. This Decision will be reviewed within a period of three years. The Committee shall make proposals for this purpose as appropriate.

Biographies

European Participants

GÉRARD BORDU (replacing Mr. Ansart), born April 21, 1928, in Melun, France. Member of the Parti communiste francais, Assemblee Nationale; Member of the Communist Party of the European Parliament. Vice president of the European Parliament. Member of the Committee on Economic and Monetary Affairs.

PIERRE-BERNARD COUSTE, born June 29, 1920, in Rochefort-Sur-Mer, France. Member of the Union des Democrates pour la Republique Party (UDR), Assemblée Nationale; Member of the Group of European Progressive Democrats (DEP) of the European Parliament. Member of the Political Affairs Committee, the Committees on Economic and Monetary Affairs, on External Economic Relations, and the Joint Parliamentary Committee of the EEC-Turkey Association.

ACHILLE CORONA, born July 30, 1914, in Rome, Italy. Member of the Partito Socialista italiano (PSI), Senato della Repubblica; Member of the Socialist Group of the European Parliament. Vice President of the European Parliament. Member of the Political Affairs Committee, the Committee on Development and Cooperation, and the Joint Parliamentary Committee of the EEC-Turkey Association.

PETER CORTERIER, born June 19, 1936, in Karlsruhe, Germany. Member of the Sozialdemokratische Partei Deutschlands (SPD), Deutscher Bundestag; Member of the Socialist Group of the European Parliament. Member of the Political Affairs Committee, the Committee on External Economic Relations, and the Joint Parliamentary Committee of the EEC-Greece Association.

MAURICE FAURE, born January 2, 1922, in Azerat, France. Member of the Mouvement des radicaux de gauche, Assemblée Nationale; Member of the Socialist Group of the European Parliament. Member of the Political Affairs Committee and the Committee on Budgets.

AART GEURTSEN, born January 17, 1926, in Schiedam, Netherlands. Member of the Volkspartij voor Vrijheid en Democratie, Tweede Kamer der Staten-Generaal; Member of the Liberal and Allies Group of the European Parliament. Member of the Legal Affairs Committee, and the Committee on Social Affairs.

ROGER HOUDET, born June 14, 1899, in Angers, France. Member of the Républicains Indépendants, Senate; Member of the Liberal and Allies Group of the European Parliament. Chairman of the Committee on Agriculture; Member of the Committee on Regional Policy, Regional Planning and Transport.

NORBERT HOUGARDY, born November 1, 1909, in Etterbeek, Belgium. Member of the Parti de la liberté et du progrès, Senate; Vice-Chairman of the Liberal and Allies Group of the European Parliament. Member of the Committees on Economic and Monetary Affairs, and on Energy and Research.

HANS-EDGAR JAHN, born November 21, 1914, in Neustettin (Pomerania). Studied history, law, and political science in Berlin and Graz. Doctorate in political sciences. War service. Author and publisher since 1947. Chairman of "Arbeitsgemeinschaft Demokratischer Kreise" 1951–69. Vice chairman of the refugee federation. Member of CDU since 1947. CDU Land Chairman for Brunswick and Member of the CDU Land executive for Lower Saxony. Member of Bundestag since 1965. Member of the European Parliament since January 1970.

LIAM KAVANAGH, born February 9, 1335, in Wicklow, Ireland. Member of the Labour Party. Dáil Eireann; Member of the Socialist Group of the European Parliament. Member of the Committee on Social Affairs, Employment and Education and the Committee on Regional Policy, Regional Planning and Transport.

JAN DE KONIG, born August 31, 1926, in Zwartsluis, Netherlands. Member of the Anti-revolutionaire partij, Tweede Kamer de Staten-Generaal. Member of the Christian-Democratic Group of the European Parliament. Member of the Committee on Agriculture, on External Economic Relations, and the Joint Parliamentary Committee on the EEC-Greece Association.

ERWIN LANGE, born May 10, 1914, in Essen, Germany. Member of the Sozialdemokratische Partei Deutschlands (SPD), Deutscher Bundestag. Member of the Socialist Group of the European Parliament. Chairman of the Committee on Budgets; member of the Committee on Economic and Monetary Affairs.

BRIAN J. LENIHAN, born November 17, 1930, in Dundalk, Ireland. Member of the Fianna Fail Party, Seaad Eireann; Vice-Chairman of the Group of European Progressive Democrats of the European Parliament. Vice Chairman of the Political Affairs Committee.

CHARLES B. MacDONALD, born June 11, 1935, in Larchfield, Ireland. Member of the Fine Gael Party, Daíl Eireann; Member of the Restricted Bureau of the Christian-Democratic Group of the European Parliament. Vice Chairman of the Committee on Regional Policy, Regional Planning and Transport; member of the Committee on Agriculture, and the Committee on Rules and Procedure and Petitions.

TOM NORMANTON, born March 12, 1917, in Rochdale, United Kingdom. Member of the Conservative Party, House of Commons. Member of the European Conservative Group of the European Parliament. Vice Chairman of the Committee on Energy and Research; member of the Committee on Economic and Monetary Affairs.

FERRUCCIO PISONI, born August 6, 1936, in Sarche di Calavino (Trento), Italy. Member of the Democrazia Cristiani, Camera dei Deputati; member of the Christian-Democratic Group of the European Parliament. Member of the Committee on Social Affairs, Employment and Education, the Committee on Energy and Research, and the Joint Parliamentary Committee of the EEC-Turkey Association.

JOHN LESLIE PRESCOTT, born May 31, 1938, in Prestatyn, United Kingdom. Member of the Labour Party, House of Commons; member of the Bureau of the Socialist Group of the European Parliament. Member of the Committee on Economic and Monetary Affairs, and the Committee on Social Affairs, Employment and Eduction.

JAMES SCOTT-HOPKINS, born November 29, 1921, in London, United Kingdom. Member of the Conservative Party, House of Commons; Vice Chairman of the European Conservative Group of the European Parliament. Vice Chairman of the Committee on External Economic Relations. Member of the Political Affairs Committee, and the Committee on Agriculture.

MARIO VETRONE, born January 26, 1914, in Benevento, Italy. Member of the Democrazia Cristiana, Camera Die Deputati; member of the Christian-Democratic Group of the European Parliament. Vice Chairman of the Committee on Agriculture; member of the Committee on External Economic Relations, and the Joint Parliamentary Committee of the EEC-Greece Association.

AMERICAN PARTICIPANTS

BENJAMIN S. ROSENTHAL, Democrat, of Elmhurst, Long Island, N.Y.; born in New York City, N.Y., June 8, 1923; educated in the public schools of the city of New York; attended Long Island University and City College; L.L.B. Brooklyn Law School (1949), L.L.M. New York University (1952); married Lila Moskowitz, two children—Debra and Edward; attorney, admitted to New York Bar 1949; admitted to practice before United States Supreme Court 1954; served in United States Army March 1943 to January 1946, 18 months in Iceland; elected as Democrat-Liberal to the 87th Congress in special election February 20, 1962; reelected to the 88th, 89th, 90th, 91st, 92d, 93d, and 94th Congresses; appointed member of National Commission on Food Marketing during 88th and 89th Congresses.

DONALD MacKAY FRASER, Democratic-Farmer-Labor, of Minneapolis, Minn.; attorney and former State senator 1954–62; born in Minneapolis, February 20, 1924; educated in Minneapolis public schools and University of Minnesota, B.A., cum laude, 1944, L.L.B., 1948; served in Pacific Theater, World War II; 1969–71—chairman, Democratic Study Group; chairman, Commission on Party Structure and Delegate Selection; Democratic Advisory Council; vice chairman of the Commission on the Democratic Selection of Presidential Nominees, 1968; participating member, Anglo-American Parliamentary Conference on Africa, 1964 to present; active in D.F.L. Party since 1947; chairman, Minnesota Citizens for Kennedy, 1960; former officer, Minneapolis Foreign Policy Association;

Minneapolis Citizens' League; Minneapolis Citizens' Committee on Public Education; delegate to 1972 and 1973 Conference on Disarmament; Congressional adviser on the U.S. Delegation to the U.N. Seabeds Committee; 1973 national chairman, Americans for Democratic Action; married to former Arvonne Skelton; six children (one deceased); partner in former firm of Lindquist, Fraser & Magnuson; elected to the 88th Congress November 6, 1962; reelected to the 89th, 90th, 91st, 92d, 93d, and 94th Congresses.

LEO J. RYAN, Democrat, of South San Francisco; born in Lincoln, Nebr., May 5, 1925; M.S., Creighton University, 1951; enlisted in U.S. Navy, 1943, served in submarine service; teacher; school administrator; appointed to South San Francisco Recreation Commission; elected city councilman and served as mayor; authored book entitled "Understanding California Government and Politics"; also edited the book "The USA: From Where We Stand"; elected to California State Assembly, 1962; elected to the 93d Congress, November 7, 1972; reelected to the 94th Congress.

STEPHEN J. SOLARZ, Democrat, of Brooklyn, N.Y.; born in New York City, September 12, 1940; attended New York public schools; graduated from Brandeis University, received master's degree in public law and government from Columbia University; elected to New York State Assembly, three terms, 1968 through 1972; ranking minority member, Higher Education Committee; member: Executive Board of American Jewish Congress, League School for Seriously Disturbed Children, B'nai B'rith; married to the former Nina Koldin; two children: Randy and Lisa; elected to the 94th Congress on November 5, 1974; member, International Relations Committee (Subcommittee on International Economic Policy, Subcommittee on International Resources, Food, and Energy), Post Office and Civil Service Committee (Subcommittee on Manpower and Civil Service, Subcommittee on Employee Political Rights and Intergovernmental Property); member: DSG, Members of Congress for Peace through Law, Environmental Study.

GUS YATRON, Democrat, of Reading, Pa.; born in Reading, October 16, 1927; son of George H. and Theano (Lazos) Yatron; graduated from Reading High School; was president of the student body; Kutztown State Teachers College; was active in athletics, boxed professionally as a heavyweight while going to college and lettered in varsity football; was a successful businessman in Reading before elected to the U.S. Congress; entered politics in 1955 with a successful bid for a 6-year term on Reading School Board, which includes the Reading Public Museum and Art Gallery; member of the Reading Hospital Board of Managers; elected to the Pennsylvania House of Representatives, 1956 and 1958; elected to three consecutive terms to the Pennsylvania State Senate, 1960–66; elected to the 91st Congress, November 5, 1968; reelected to the 92d, 93d, and 94th Congresses; spoke before the European Parliament, 1973 and 1974; presented a major white paper on NATO Burden-Sharing Resolution; resides in Reading; married to the former Millie Menzies; two children; George (a law student at Georgetown) and Theana (a junior at the University of Maryland); serves on the House International Relations Committee.

JAMES P. JOHNSON, Republican, of Fort Collins, Colo.; born in Yankton, S. Dak., June 2, 1930; B.A., Northwestern University, 1952; LL.B., University of Colorado, 1959; served in the U.S. Marine Corps, 1952–56; prosecuting attorney, Eighth Judicial District, Colorado; municipal judge, Ault, Colo., 1962–65; member, Pondre R–1 School Board,, Fort Collins, Colo., 1969–71; president, Larimer County Bar Association; elder, First United Presbyterian Church, Fort Collins, Colo.; member: board of trustees, San Francisco Theological Seminary; board of directors, Fort Collins, Colo., Chamber of Commerce, 1968–70; charter member, Dean's Law Club, University of Colorado; married Nancy Brown of Oconomwoc, Wis., 1952; three children: Dea Lynn, Julie Conner, and Drake Bartel; elected to the 93d Congress, November 7, 1972; reelected to the 94th Congress, November 6, 1974.

RICHARD M. NOLAN, Democrat-Farmer-Labor, of Waite Park, Minn.; born in Brainerd, Minn., December 17, 1943; married, the former Marjorie Langer; four children: Michael, Leah, John, and Katherine; attended St. John's University, Collegeville, Minn., 1962; B.A., political science, University of Minnesota, 1966; postgraduate work in public administration and public policy formation at the University of Maryland, 1967; educational director of Headstart for three central Minnesota counties, 1968; curriculum coordinator for Adult Basic Education for Little Falls School District, 1968; social studies teacher in Royal-

ton, Minn., 1968–69; project coordinator for the Center for the Study of Local Government at St. John's University in Collegeville, Minn., 1971; staff assistant to U.S. Senator Walter F. Mondale, 1966–68; elected to Minnesota House of Representatives in 1968 and reelected in 1970; Federal/State coordinator for the Minnesota House of Representatives 1973 legislative session; general labor at United Parcel Services, 1964–66; member of Teamsters Union; administrative assistant to the senior vice president of Fingerhut Corp., 1973–74; elected to the 94th Congress, November 5, 1974.

JOHN WILLIAM STANTON, Republican, of Paineville, Ohio; born in Painsville February 20, 1924; graduated from Culver Military Academy, Culver, Ind., in 1942; entered the School of Foreign Service at Georgetown University, Washington, D.C., in July 1942; left studies to enter the U.S. Army in December 1942; served overseas in the Pacific theater for 33 months and discharged as a captain January 1, 1946; reentered Georgetown University, majored in government and economics, and received B.S. degree in 1949; member, St. Mary's Catholic Church in Painesville; Lake County commissioner 1956–64; married December 3, 1966, to the former Peggy Smeeton; one daughter, Kelly Marie, born November 11, 1967; elected to the 89th Congress, November 3, 1964; reelected to each succeeding Congresses.

HERMAN BADILLO, Democrat-Liberal, of the Bronx, N.Y.; born in Caguas, P.R., August 21, 1929, emigrated to New York City at age of 11; first person of Puerto Rican birth to sit with a vote in the Congress of the United States; educated in Puerto Rico and New York City public schools; graduated magna cum laude from City College of New York in 1951 with a bachelor of business administration degree (majored in economics and accounting) and cum laude from Brooklyn Law School in 1954 where he received the first scholarship prize, was class valedictorian and a member of the Law Review, admitted to the New York Bar, 1955, has practiced law in New York City; became certified public accountant, 1956; appointed deputy commissioner, New York City Department of Real Estate by Mayor Robert Wagner, January 1962, Commissioner of New York City Department of Housing Relocation, November 1962 to August 1965; elected borough president of the Bronx, November 1965 to December 1969; adjunct professor at Fordham University's Graduate School of Urban Education, 1970 to present; board member, Mount Sinai Hospital, as well as other civic organizations in New York City; recipient, honorary doctor of law degree, City College of New York; author, "A Bill of No Rights: Attica and the American Prison System," 1972; married Irma Deutsch, May 7, 1961; three children: David, Mark, and Loren; elected to the 92d Congress November 3, 1970 re-elected to 93d and 94th Congresses.

WILLIAM LEONARD HUNGATE, Democrat, of Troy, Mo.; born in Benton, Ill., December 14, 1922; son of the late Mr. and Mrs. L. W. Hungate of Bowling Green, Mo.; attended public schools in Bowling Green, Mo.; Central Methodist College; University of Michigan; graduated from Missouri University, A.B. degree, 1943; and Harvard Law School, LL.B. degree, 1948; Culver Stockton College (honorary); partner in the law firm of Hungate & Grewach, Troy, Mo., 1956–68, admitted to practice in the courts of Missouri, Illinois, District of Columbia, and before the Supreme Court of the United States; received a bicentennial award from the St. Louis Bar Association for outstanding achievement in public service; served three terms as prosecuting attorney of Lincoln County, and special assistant to the attorney general, 1958–64; a veteran of World War II, served in Europe as a private, first class, with the 95th Infantry Division; past lieutenant governor of Kiwanis International Division; past president, Harvard Law School Association of Missouri, 1962–64; past chairman of the board, First Christian Church, Troy, Mo.; member, American Legion; Veterans of Foreign Wars; ASCAP; Masons; Shriners; board of trustees, William Woods College, Fulton, Mo.; in 1956 did research work with the American Bar Foundation in its "Survey of the Administration of Criminal Justice"; married Dorothy N. Wilson of Cyrene, Mo.; two children, David and Kay (Mrs. Branson L. Wood III); elected to the 88th Congress, November 3, 1964, to fill the vacancy caused by the death of Clarence Cannon; reelected to the 89th, 90th, 91st, 92d, 93d, and 94th Congresses; member, House Judiciary Committee, chairman, Subcommittee on Criminal Justice; Committee on Small Business, chairman, Subcommittee on Regulatory Agencies.

BILL ARCHER, Republican, of Houston, Tex.; born in Houston, Tex., March 22, 1928; graduated from St. Thomas High School, salutatorian, 1945;

attended Rice University, 1945–46; University of Texas, B.B.A., LL.B., (with honors), 1946–51; served in the U.S. Air Force, Korean conflict; captain, USAF Reserve; councilman and mayor pro tempore, city of Hunters Creek Village, 1955–62; elected to Texas House of Representatives, 1966; reelected, 1968; attorney and businessman; president, Uncle Johnny Mills, Inc., 1953–61; member of Saint Anne's Catholic Church; member, Houston and State Bar Associations; member, Sigma Alpha Epsilon fraternity; chosen Houston S.A.E. Man of the Year, 1968; St. Thomas High School Alumnus Award, 1971; Houston B'nai B'rith "Man of the Year" Award, 1972; member, Phi Delta Phi legal fraternity; life member, Houston Livestock Show and Rodeo; N.F.I.B. "Guardian of Small Business" Award, 1972–73; N.A.B. "Watchdog of the Treasury" Award, 1971–72; National Alliance of Senior Citizens "Golden Age Hall of Fame" Award; president, Texas State Society of Washington, D.C., 1974–75; member, Downtown Exchange Club of Houston; Spring Branch-Memorial Chamber of Commerce "Most Representative Citizen" Award; married; five children; elected to 92d Congress, November 3, 1970; reelected to both 93d and 94th Congresses with the highest vote percentages of any Republican congressional candidate in the United States; member, Committee on Ways and Means; ranking Republican, Subcommittee on Social Security; member, Subcommittee on Trade; member, White House Commission on Regulatory Reform; chairman, Republican Study Committee Task Force on Regulatory Reform.

SAM M. GIBBONS, Democrat, of Tampa, Fla.: born, in Tampa, January 20, 1920, son of Gunby Gibbons and Jessie Kirk Cralle Gibbons; educated in public schools of Tampa; received J.D. degree from the University of Florida; named to the Univeristy's Hall of Fame and to its honor society Florida Blue Key; member of Alpha Tau Omega Fraternity; married to the former Martha Hanley; they have three sons—Clifford, born 1950; Mark, born 1952; Timothy, born 1958; elected to the Florida House of Representatives in 1952 and served for 6 years; elected to the Florida Senate in 1958 and served for 4 years; named one of the top ten members of each body; named Tampa's Outstanding Young Man of the Year in 1954; received Chamber of Commerce president's award; deacon First Presbyterian Church of Tampa; first president of and member of University of South Florida Foundation; served in U.S. Army 5 years during World War II with 501st Parachute Infantry, 101st Airborne Division; awarded Bronze Star; was in initial assault force landing before D-Day in Europe; took part in other major combat actions, including operations at Bastogne; released from active duty as major; elected November 6, 1962. Member of Ways and Means Committee.

JOSEPH E. KARTH, Democrat-Farmer-Labor, St. Paul, Minn.; born in New Brighton, Ramsey County, Minn., August 26, 1921; was educated in Ramsey County elementary schools and North St. Paul High School; attended the University of Nebraska School of Engineering; after completing 2 years of college courses in engineering, education was interrupted by a call to combat duty, during the service in the European Theater of Operations received a recommendation for a battlefield commission; employed by the Minnesota Mining and Manufacturing Co.; international representative of the OCAW–AFL–CIO for 10 years; member of the Minnesota House of Representatives from 1950 through 1958; and during special session of 1958 was voted "Outstanding Legislator"; member: V.F.W., American Legion, Indianhead Council of the Boy Scouts, the First Presbyterian Church of White Bear Lake, Minn.; married the former Charlottee Nordgren and they have three sons; elected to the 86th Congress on November 4, 1958, and to subsequent Congresses.

JAMES G. MARTIN, Republican, of Davidson, N.C.: born in Savannah, Ga., December 11, 1935; graduate, Mt. Zion High School, Winnsboro, S.C., 1953; B.S. in chemistry, Davidson College, 1957; Ph. D. in chemistry, Princeton University, 1960, associate professor in chemistry, Davidson College, 1960–72; member, Mecklenburg County Board of Commissioners, 1966–72, chairman, 1967–68, and 1970–71; founder and first chairman, Centralina Regional Council of Governments, 1966–69; vice president and trustee, Beta Theta Pi fraternity, 1966–69; president, North Carolina Association of County Commissioners, 1970–71; vice president, National Association of Regional Councils, 1970–72; current national president of Beta Theta Pi, 1975–78; Mason, married Dorothy Ann McAulay, 1957; three children; Jimmy, Emily, and Benson; elected to the 93d Congress, November 7, 1972; reelected to the 94th Congress.

GUY ADRIAN VANDER JAGT, Republican, of Cadillac, Mich.; born in Cadillac, Mich., August 26, 1931; 1945–49 attended Cadillac High School; 1953, Hope College, bachelor of arts degree; 1955 Yale University, bachelor of divinity

degree; 1956, Bonn University, Rotary Fellowship; 1960, University of Michigan, bachelor of laws degree; 1960, member of Michigan Bar Association; 1960–64, law practice with Warner, Norcross & Judd, of Grand Rapids, Mich.; 1965–66, Michigan Senate, 36th District; March 1956, Junior Chamber of Commerce Outstanding Young Man award; married Carol Doorn of Grand Rapids, Mich.; daughter, Virginia Marie, born August 31, 1969; elected to the 89th Congress, November 8, 1966, to fill the vacancy caused by the resignation of Robert P. Griffin; reelected to 90th, 91st, 92d, 93d, and 94th Congresses; chairman, Republican Congressional Campaign Committee; member, Ways and Means Committee.

Brussels–Dublin–Stockholm–Rome

Monday, April 19, 1976

0900—Depart from Andrews AFB. Lunch and dinner en route.
2100—Arrival in Brussels. Transfer to Royal Windsor Hotel.

Tuesday, April 20, 1976

0930—Briefing at U.S. Mission to the European Communities, by Ambassador Deane Hinton and staff.
1100—Meeting at Berlaymont, headquarters of the European Community with Henri Simonet, vice president of the Commission and members of the Commission staff.
1300—Luncheon given by the Commission (host: Theo Hijzen, deputy director general, external relations division).
1530—Briefing at NATO Headquarters by Ambassador Strauz-Hupe and SACEUR Alexander Haig.
1930—Reception for U.S. Delegation by Ambassador Hinton.

Wednesday, April 21, 1976

1000—Depart for Dublin (lunch en route).
1230—Arrive in Dublin. Transfer to Shelbourne Hotel.
1430—1730—First Parliamentary Session, Dublin Castle—Question Hour, followed by "Developments in East-West Relations (US and EP papers).
1830—Reception for both delegations by U.S. Ambassador Curley.
2000—Informal dinner given by EP delegation for U.S. delegation.

Thursday, April 22, 1976

0930–1130—Parliamentary Session—Discussion of Draft Code on Multinational Enterprises (Joint presentation by US and EP spokesmen).
1140—Visit to Irish countryside (with lunch).
1545—Arrival at residence of the President of Ireland.
1630–1815—Parliamentary discussion—Political Aspects of the World Food Situation (US and EP papers).
2000—Buffet for both delegations given by Foreign Ministry.

Friday, April 23, 1976

0930–1115—Parliamentary Discussion—US and European View on Mediterranean Problems (US and EP papers).
1130—Summary discussion.
1200—Press Conference.
1230—Farewell luncheon given by EP Delegation.
1430—Depart for Stockholm.
1800—Arrival at Stockholm airport.
1900—Arrival at Grand Hotel.
2000—Dinner given by Swedish Parliament.

Saturday, April 24, 1976

0930—Problems of the Post-Industrial Society (I): Legal and Criminal Reform: Future Studies.
1200–1500—Luncheon at Operakallaren (Host: Under Secretary of State, Ministry of Foreign Affairs) followed by discussion of Swedish and United States views of European political developments.

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SUNDAY, APRIL 25, 1976

1000—Problems of the Post-Industrial Society (II) : Visit to Lidingo Hospital—Discussion of Swedish health care system. Meeting with Stig Gustafsson, MP, on work environmental problems in Sweden.
1230—Luncheon (Host : Swedish Parliament).
1430—Visit to Swedish countryside en route to airport.
1530—Depart for Rome.
1900—Arrival in Rome—Transfer to Excelsior Hotel.

MONDAY, APRIL 26, 1976

1000–1200—Briefing at American Embassy by Ambassador Volpe and country team.
Afternoon—Free for individual or group appointments with political and governmental officials.

TUESDAY, APRIL 27, 1976

1230—Depart for Washington.
1400–1500—NATO Southern Command Briefing in Naples.
1800—Arrival Andrews AFB.

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